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ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

Advisory Committee
ON
Voluntary Foreign Aid;

Report of the Quarterly Meeting
March 18-19, 1985

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INTRODUCTION

The Advisory Committee on Voluntary Foreign Aid advises the Administrator of the Agency for International Development (AID) with respect to development issues and policies and the implementation of foreign assistance programs, particularly as they affect AID-PVO collaborative efforts. The Committee holds four public meetings a year, devoting the major portion of each two-day meeting to a single theme or topic.

The Advisory Committee met on March 18-19, 1985 at the Department of State in Washington, D.C. to discuss a series of questions relating to AID's Management of PVO Programs. This theme was of current relevance for several reasons:

- Increasing decentralization of the management of the AID program with concomitant growth in the responsibilities of the AID Missions;

- The current budgetary debate and the extraordinary pressures on AID's program and personnel budget;

- Recent design of a new funding mechanism, the Partnership Grant;

- Congressional concern with regard to the "privateness" of PVOs and the "dependence" of PVOs on federal sources of support;

- Forthcoming re-authorization of PL 480 and the consequent opportunity to make significant structural adjustments in this important program.

For these and other reasons, the Advisory Committee felt it would be useful and appropriate to devote a full session to a range of administrative and management matters which are significant in the AID-PVO relationship. Specifically, the quarterly meeting was broken into three plenary sessions and three sub-committee sessions, as follows:

- AID's Partnership with PVOs, which dealt with a range of budgetary and management issues;

- The Privateness of PVOs, to discuss the recent AID report to the Congress on this matter;

- Working with Local PVOs, to discuss and identify mechanisms that could enhance the effectiveness of these partnerships;

- Sub-committee sessions dealing with:
 - An update on the African food emergency and the status of the PL 480 re-authorization;
 - PVO-university relations;
 - PVO-corporate relations.

OPENING PLENARY

The session was called to order by Chairman E. Morgan Williams who reviewed the highlights of the two-day schedule and noted that a small group would meet with the AID Administrator after the meeting to discuss a limited number of specific points raised in discussion. Chairman Williams introduced AID Administrator Peter McPherson, whose opening remarks initiated the quarterly meeting.

In his brief remarks, Administrator McPherson made the following three points with regard to the importance of the AID-PVO relationship:

- PVOs have played a critical role in the response to the African food emergency both as distributors of commodities and in raising additional dollar resources;

- PVOs have a particularly important role in Africa and in countries that lack extensive human and material resources. In these situations, AID projects can easily become too elaborate and involved and overwhelm the infrastructure necessary to support them. In Africa, there may be a need to "downscale" some of the larger AID activities, and this may provide significant opportunities for enhancing the level of PVO activity;

- In an important sense, AID is an information agency generating information and technology developed through its R&D programs. However, AID is heavily dependent on intermediaries, particularly PVOs, to transmit this technology. Examples include the new oral rehydration technology, the possible development of heat resistant vaccines, or in bringing a new version of the "Green Revolution" to Africa.

Finally, Administrator McPherson noted that the allocation to PVOs from AID development assistance accounts was up significantly, from roughly 14 percent in 1984 to 17.6 percent in 1985.

SESSION I: AID's PARTNERSHIP WITH PVOs

David Guyer chaired the opening session, pointing out that the topic was timely since this was the first chance to discuss the full range of issues inherent in the AID-PVO partnership since issuance of the PVO Policy Paper and since the January "retreat", where it was decided to focus on a single or limited number of issues and to prioritize to maximize effectiveness.

Panel participants included Julia Bloch, Richard Derham, and John Eriksson from AID and Peter Davies, Lewis Townsend, and Charles MacCormack from the PVO community. To facilitate discussion, the rather broad topic was subdivided into three thematic areas of concern:

- Management issues (i.e. the implications of decentralization; recent developments in designing grant instruments, etc.);

- Budgetary issues;

- Actions being taken by PVOs to improve their effectiveness.

Discussion procedure involved a short initial statement from an AID panelist, response from a PVO counterpart, discussion from the floor.

MANAGEMENT ISSUES

Julia Bloch opened the discussion on the AID-PVO relationship by noting that the AID-PVO relationship is based on three premises:

- Clarity and consistency of policy: AID's PVO policy statement is two years old; it has served its purpose well but it may require elaboration and extension in certain areas such as those dealing with the issue of privateness;

- A streamlining and standardizing of administrative procedures. In this regard, there have been four recent innovations: the design and testing of a standard OPG/field proposal format and uniform review and approval procedures; recent approval of the Partnership Grant mechanism which permits, on a selective basis, multi-year funding of up to five years; the increased emphasis on mission planning and the expectation that missions will develop PVO planning budgets as part of this process; experimentation in the Asia and Africa Bureaus with umbrella projects which simplify the project approval process.

- Openness and collegiality with the Bureau for Food for Peace and Voluntary Assistance as a central contact point. In this respect, the Bureau has established its credibility and has provided PVOs with access to AID officials at all levels. In addition, the Bureau is increasingly a centralized source of technical information for bureaus and missions to help them select the best PVO to do the job. A more sophisticated information system is planned that will provide a body of knowledge and translate evaluations into hard, credible guidance. A continuing challenge is how PVOs can effectively interact with a decentralized AID structure. Participation in the CDSS process should help in this respect. Partnership is a two-way street and while the relationship has matured and there is greater continuity than in the past, there is still more distance to go.

Lew Townsend, vice president of the Pan-American Development Foundation, replied with two general concerns and four specific criticisms of AID administrative procedures. First, Townsend underscored the pluralistic nature of PVOs' relationships with a variety of constituents and audiences. PVOs have many more "partnerships" than the one with AID. Secondly, while the Partnership Grant mechanism is a useful initiative, PVOs are continually frustrated in dealing with the many layers within AID and many alternative interpretations of policy. It is not clear that the new Partnership Grant mechanism will alleviate this problem. More specifically:

- Delays in project review and approval appear in part to result from confusion with respect to the proper blending of the roles of PVOs as intermediaries for AID and as independent entities. AID personnel tend to be overly directive when PVOs are operating independently and insufficiently involved when PVOs are acting as intermediaries.

- Delays in contracting, project audits, and the setting of overhead rates will worsen as PVOs become more proficient at managing development projects and increasingly compete with profit-making firms for contracts;

- AID has increasingly turned to PVOs to obtain information that AID should have; therefore, a strengthened information system is very important;

- It is particularly important that local and U.S. PVOs collaborate more effectively and attention needs to be given to AID funding mechanisms that will promote these relationships.

In discussion from the floor, Mark Ball raised the question of decentralization and the role of missions. Different missions use PVOs quite differently. Is there a central AID policy with respect to PVOs or does each mission establish its own approach?

The AID representatives (Derham, Bloch, Eriksson) responded by noting that:

- Decentralization is an important initiative and is in response to several factors including recommendations of the Carlucci Commission, overall personnel constraints, and the importance of dealing with the "systemic" effect of assistance. The cumulative effect of many projects and many donors has become a serious burden in some instances (e.g. Mali and Kenya) and there is a consequent need for more in-country planning and coordination and better integration of AID's efforts with the efforts of others. But this requires meaningful delegation to the field. It is current AID policy to recommend more use of PVOs. PVOs have many strong suits including the fact that they tend to decentralize economic activity and their use reduces the management burden on the public sector. But missions differ as do the skills, capacities, and geographic priorities of the PVOs. It will not be possible to find a perfect fit in all instances. While the policy is clear, implementation may take some time. To improve communication, AID has set up a PVO liaison committee and supported conferences and meetings with mission directors when in Washington. Also, to the extent that PVO umbrella projects can be designed, the relationship between the PVOs and the mission can be rationalized and improved and the review process can be expedited. In regard to contracting, the situation may get worse with adoption of the FAR regulations on April 1; although, AID is currently seeking certain exemptions and waivers.

In partial response, Peter Davies underscored the importance of regularly-scheduled, structured consultations with mission directors. He suggested that PVOs might cooperate in-country by giving one PVO a lead coordinating role and emphasized the value of regional PVO-mission director meetings such as the ACVFA's Haiti meeting fostered.

On a related matter, Mark Ball questioned the value of the Partnership Grant. The original concept involved core funding for experienced PVOs to help them pursue their own goals within agreed parameters. This principal has apparently disappeared.

Julia Bloch responded by noting that the Partnership Grant does in fact envision core support for PVOs to pursue their own objectives, provided the PVOs are experienced and that funds are allocated within certain agreed parameters set forth in the grant agreement. AID plans to approve one Partnership Grant this year to CARE and hopes to approve others if funds become available, although, as Dick Derham pointed out, so called "fall out" funds were scarce due to the added budgetary costs of dealing with the African emergency. The ability of the Agency to respond to additional requests is extremely limited until

the request for supplemental funds is passed by the Congress, if in fact that action is taken.

James MacCracken noted the importance of rising above a narrow discussion of "money in and money out". The PVO community is rich in its diversity and ACVFA is not a forum devoted solely to increasing the budget allocation for PVOs. In fact, there are a number of PVOs that receive no government funds at all.

BUDGETARY ISSUES

The discussion of budgetary issues was in the context of several recent important developments including: The African emergency and the transmittal of a supplemental budget request; recent Presidential decisions on the level and content of the FY 1986 budget; the Congressional injunction to allocate a target level through PVOs (from 12 percent to 16 percent); the difficulties of balancing central policies and priorities in a decentralized mission-driven structure.

Richard Derham provided an overview of the current budgetary situation. Overall, AID's 1986 budget is being held at the 1985 request. However, the PVO portion of the budget has grown steadily and significantly during recent years from 12 percent of total development assistance funding in 1979 to a high of 17.6 percent in 1985 (somewhat inflated due to the African crisis) and a budgeted level of 16.9 percent in 1986--which is probably below what will be achieved since PVOs will receive additional resources through contracts. This high-budgeted level reflects AID's policy of increasing reliance on PVOs.

In response, Charles MacCormack commented on the difficulties inherent in balancing between PVOs as independent entities and PVOs as intermediaries.

On the bright side, levels of support are up, there has been increased focus on development encouraged in large part by AID's DPG program, there is a new vigorous interest in development education through Biden Pell, and the establishment of InterAction gives cohesion and focus to the PVO community.

However, certain inherent contradictions remain. AID by its nature is decentralized, mission-oriented, bilateral and pursues development strategies on a country-by-country basis. PVOs are in many respects just the opposite. They take a worldwide approach, plan globally, and work in sectors that cut across national boundaries. This different orientation leads to stresses in the relationship. For example, PVOs would prefer that AID program its funds centrally to better mesh with PVO priorities and because it is more difficult to develop a

partnership at the country level where program priorities may not overlap. Similarly, PVOs would prefer to be funded as independent entities to pursue their own macro-objectives, while AID prefers to use the PVOs as intermediaries to implement specific AID activities. While the increase in funding is welcome, the stresses inherent in the relationship are exacerbated. MacCormack also pointed out that ironically, while both AID and the PVOs emphasize long-term development assistance, if you take out African relief funds, the amounts for long-term development are actually down--to 14 percent--since long-term development funds have been diverted to deal with the crisis.

Jay Morris, Deputy Administrator of AID, provided a detailed review of the current budget cut-backs in the operating expense account and in AID personnel levels. The necessity to cut 250 full-time staff plus a \$10 million reduction in operating expenses is causing AID to consider Draconian revisions in the structure and staffing of the Agency and the way it operates. Fundamental questions are being asked:

- Should AID terminate complete programs or functions or shave activities across the board?

- Should the projected mode of assistance which is relatively labor intensive continue or should AID move back to greater emphasis on cash transfers?

- Can private sector delivery mechanisms (such as PVOS) be used at lower cost to replace some current practices?

- What organizational units and functions should be merged or dissolved or transferred to some other agency and what initiatives deferred or abandoned? (In this regard, the establishment of a strengthened information system within the Food for Peace and Voluntary Assistance Bureau may not materialize.)

In response, Julia Taft questioned why foreign assistance has apparently lost its credibility; why have we not been able to fashion effective, flexible methods of assistance?

Morris commented that it is a large and complex issue, but there are several factors which influence the treatment of foreign aid and the foreign aid budget. First, we do not have a credibility problem with foreign governments--generally they prefer more aid, not less--but some resist the project form of assistance and prefer straight cash transfers. This message inevitably gets to the Hill. Second, critics of AID feel that the project process is painstakingly slow and highly labor-intensive and argue that more efficient mechanisms should be employed. Third, AID is treated for budgetary purposes as a domestic agency, not a defense agency. It thus loses some of the immunity that it

would have if it were lumped in the defense category. Fourth, there is the perception, that is difficult to rebut, that foreign aid has achieved very little over the years, that it is motivated by humanitarian concerns with little real impact on conditions in the LDCs. Finally, foreign aid is a handy political target and irresponsible legislators can criticize with impunity since the agency lacks a powerful political constituency.

In concluding, David Guyer noted the strikingly different organizational and programmatic mechanisms used by different countries and aid agencies to deliver foreign assistance, underscoring the fact that this was a complex and important area for analysis and further discussion.

MANAGEMENT OF PVOs

Peter Davies opened the discussion by noting several positive trends or developments. PVOs appear in general to be paying more attention to replication and institutionalization and to strengthening their ties with indigenous PVOs. (In this context, he noted that InterAction was in midst of preparing a comprehensive report on what PVOs are doing in Africa.) PVOs are also increasingly aware of the importance of evaluation and the need to feed back results into the design process. Reflecting this concern, InterAction has established an evaluation committee that will go beyond the important work already done by Judith Tendler which, it is important to recognize, was not designed as a definitive evaluation of PVOs but as a review of AID's evaluation process. In response to the difficulty of dealing with a complex AID bureaucracy, InterAction's Development Assistance Committee is organizing sessions on the four themes which are the bedrock of the current AID program: The private sector, institutionalization, policy reform, and technology transfer.

Turning to areas of concern, Davies alluded to difficulties that arise when PVOs find themselves disagreeing with AID policy priorities such as the mix of military to development assistance or the level of funding for the African emergency in the recent supplemental. He emphasized that the PVO community will continue to interact with the Congress on these issues and press their point of view. Specifically, there is currently an urgent need for an increase in funding the ocean freight account to deal with the additional costs of the African emergency. The absence of adequate ocean freight funding will mean that some private sector funding will have to be denied and that ongoing PVO programs will have to be reduced or

terminated.

In partial response, John Eriksson received the recent work of the child survival task force, which he chairs. That group is charged with programming the additional funds that Congress has made available for the augmented child survival program. On a tentative basis, they have allocated \$7.5 million to UNICEF to work with indigenous PVOs, roughly \$14 million for competitive grants and from \$5 to \$10 million for PVOs. Agreeing with the importance of evaluation, Eriksson pointed out that the Task Force is developing new tracking and reporting mechanisms and is examining alternative evaluation methodologies and he welcomed further collaboration with InterAction in this area.

Regarding Ocean Freight, Julia Bloch noted that the Agency was indeed aware of the shortage of funds in this account and that it was hoped that the African emergency would not force a cut-back in regular, ongoing PVO programs. To some extent, the situation may be alleviated upon passage of the African supplemental since funds can then be transferred from other accounts to augment the Ocean Freight account. At the same time, it was important to stress that Ocean Freight is one component of the total PVC budget and that significant increases in Ocean Freight would necessitate reductions elsewhere to stay within overall limits.

SESSION II: THE PRIVATENESS OF PVOs

Willie Campbell chaired the session on privateness and opened the discussion by noting that the issue of privateness had been around for some years but has become particularly urgent in recent months due to the Lewis amendment (which requires that 25 percent of a PVO's total development assistance budget come from private sources for the PVO to be eligible for AID grants and contracts) and due to the fact that Section 123 (g) was now in force. (123 (g) requires that 20 percent of a PVO's total development assistance budget come from private sources in order for a PVO to become eligible for AID grants).

Application of a test for privateness raises a number of conceptual, definitional and administrative problems. Because the most recent legislation is drafted in a manner that will affect large as well as small PVOs, the topic has now become relevant for any PVO that receives a significant level of federal funding.

Tom McKay and John Sewell served as resource people for the discussion. Tom McKay opened with a brief synopsis of the recent AID report to the Congress on privateness and on the impact of different measures of privateness on different sub-groupings of PVOs. He noted that the report was in response to a

Congressional request for a detailed analysis of the extent of PVO dependence on federal support and of alternative formulations of privateness. The report was designed to present an objective and unbiased analysis and to set forth the issue in all its complexity. The Agency has not yet formulated an official position and would welcome PVO views.

With regard to the current nature and extent of PVO dependence on federal support:

- For registered PVOs receiving AID funds in 1984, the degree of dependence on federal resources has declined slightly during the past five years;

- There are 15 to 25 PVOs (depending on the formulation) that are consistently dependent for 80 percent or more of their resources. For these institutions, the degree of dependency appears to be increasing very slightly. By and large this group is composed of cooperatives, family planning organizations, the labor organizations and organizations defined by the Gray amendment as minority or socially disadvantaged.

Regarding the formulation of dependence:

- There are different forms of dependence, e.g. financial dependence and policy dependence, and different mechanisms for dealing with each;

- Because the PVO community is so diverse, the application of a single privateness test to the whole community will have differential effects of sub-groupings within the community;

- As a result, it is important to be clear with regard to the objective when applying a privateness test. For example, there is considerable room for confusion when discussing "privateness" versus "dependency". An organization may be financially "dependent" and at the same time retain all the characteristics of an independent and private organization; alternatively, an organization may not receive much federal money but change its program priorities in pursuit of a federal grant, therefore, diminishing a fundamental aspect of its privateness;

- There is need for considerable additional research with respect to the institutional characteristics that tend to encourage or discourage real or effective dependence;

John Sewell, Committee member but also Chair of InterAction's Public Policy Committee, argued that the issue of privateness was the "bedrock issue" facing the PVOs since:

- the issue deals with the fundamental identity of the PVO community;

- if PVOs do not seize the opportunity and define the nature of "privateness", the Congress may do it for them with possible detrimental effect.

There are basically three areas of concern:

- What does a percentage of federal money really mean when looked at broadly from the perspective of U.S. government policy? There are many different types of organizations that receive large levels of federal funds - contractors, universities - without any question of privateness. The view as to whether or not there is a dependent relationship in any instance may therefore be quite subjective.

- What will be the long-term impact of different types of privateness tests on U.S. development policy? There is a danger that we can get caught up with legalistic or financial debates on the pros and cons of different formulas and miss this larger, long-term issue.

- To what degree is it reasonable to assume that PVOs can be successful in their efforts to increase the share of private to public income? Admonishing PVOs to raise additional private sector funds may simply not be a feasible alternative. Regardless of whether enhanced private sector efforts are effective, it is important to recognize that it takes considerable time and resources to move away from a high level of financial dependency.

With regard to InterAction's role, the Public Policy sub-group is working on the issue and has prepared testimony delivered by Elise Smith before the House.

The ensuing discussion, involving members of the Committee and comments from the floor, involved clarification of a variety of technical and legislative issues and an enumeration of several additional anomalies posed by the adoption of a rigid privateness test. The discussion touched on four areas of concern: The nature and depth of Congressional interest; construction and administration of alternative privateness formulas; dangers inherent in the application of a privateness test; AID's position vis a vis the Congress and follow up actions that the Committee might take.

With regard to the nature of Congressional intent, John Sewell speculated that only a handful of Congressmen had a strong interest in the subject. However, there is a seductive logic in the simple proposition that an organization that claims it is private should in fact have a solid private financial

base. For this reason, a strong privateness amendment could gather considerable support on the Hill.

As to the design and administration of different formulas, participants made the following points:

- Treatment of in kind contributions is crucial to an accurate measure of privateness since some PVOs receive a lot of cash from the government and would appear reliant if only this were the measure, but quite private if the commodities that they distribute are included in the formula;

- Similarly, treatment of volunteer time can have a significant effect;

- A dollar measure is a poor test of the nature and extent of community support for an organization. A better measure would be the number of individual contributors, or the independence of the board.

- Thus, as Mark Ball pointed out, an alternative measure might be a "publicness test" that would ascertain to what degree an organization has a public base, established through its board or through its fund raising;

- Inclusion of a waiver provision (which is not in the Lewis amendment) is essential since no single formula can conceivably reflect the diversity of the PVO community;

There were also larger issues with respect to the fundamental wisdom of any privateness test:

- Peter Davies noted that the test may discourage small, newer non-profits from getting into the development business and might be stimulus for some to de-register;

- Several Committee members voiced concern that the emphasis on private fund raising could have the unintended result of moving PVOs away from a development orientation and toward basic relief activities since it is easier to raise private sector funds for this purpose;

- C. Payne Lucas questioned the constitutionality of a privateness test, and rejected the notion that a measure of income had any relevance to determining an organization's true private or public nature; PVOs have flourished because they are effective development agents and funding for PVOs should be based on their effectiveness;

- Jim McCracken emphasized that the use of cash as a measure of dependence ignores the long and cherished tradition of voluntarism in this country;

- Alice Green Burnette emphasized that in any discussion of privacy, it is essential to understand that it takes cash to raise cash and that there are very large initial start-up costs that must be borne by the organization. One cannot deal with privateness in a vacuum without at the same time asking where is the additional private money to come from.

With regard to follow up actions, there was a consensus that the PVO community must "hang together" on this particular issue. Peter Davies underscored the point that the issue presented an excellent opportunity for the PVO community to come up with its own definition of what constitutes privacy. Tom McKay again emphasized that AID had not yet developed a final position and that PVO views would be much valued by the Administrator. Because of the urgency of the issue, Chairman Morgan Williams appointed a temporary committee chaired by Mark Ball to develop an outline of a policy position.

SESSION III: WORKING WITH LOCAL ORGANIZATIONS

Julia Taft chaired the session, introducing Victor Rivera and Beryl Levinger as resource people. She opened the session by underscoring the key role that PVOs play in building the long-term capability of local organizations in order to ensure that our development programs have an enduring impact.

Victor Rivera provided an overview of the AID Latin America Bureau's programs and policies with respect to working with local PVOs. He prefaced his remarks with two axioms: support for local PVOs is a means not an end; local institution building must be a cooperative effort since broad-based support for an institution enhances the prospect for success.

Local PVOs are of great importance in the Latin America Bureau's program, with 40 percent of the 1984 program allocated to these organizations. In working with these organizations, the bureau has found that: often it is necessary to work with older organizations before starting new ones; it is important to constantly stress the development of self sufficiency; often local PVOs become too large and it may become necessary to scale down; donor sensitivity and support can be quite critical to long-term success.

Local PVOs frequently face serious constraints that hamper their effectiveness. These include:

- Limited access to information. It is essential that small, new local PVOs get into the information loop at an early stage.

- Limited access to resources, both financial and technical;
- Lack of coordination and cooperation, i.e. the inclination to spend more time talking about each other than with each other;
- Managerial competence in the rudiments of planning, staffing, accountability, implementation, and communication;
- Limitations on their ability to act as advocates and to thereby raise the level of consciousness and responsiveness;
- Access to skilled personnel with technical and managerial competence who can design and implement development projects;
- Political constraints that lead to fluctuations in popularity and fashionability of different organizations.

Beryl Levinger then spoke on the role and capabilities of U.S. PVOs in strengthening local PVOs. As the basis for her observations she alluded to the work of Esman, Blaise, and Eaton during the mid 1970's on institution building. These researchers attempted to distill existing theory and knowledge of the subject, reaching several fundamental conclusions:

- Most significant change in developing countries is deliberately planned and guided;
- Significant change tends to take place through and/or be guided by formal organizations, hence the importance of supporting local groups;
- Institutions may be defined as being change-inducing and change-protecting, i.e. the work of an institution is to foster change that in turn becomes institutionalized;

From this it follows that the key to institution building is to create an environment that is conducive to the change process.

To assess the work of U.S. PVOs in building indigenous institutional capability, it is useful to examine the five variables which affect the transition from organization to institution and the special role that U.S. PVOs play in each instance:

- Leadership. U.S. PVOs provide training programs both directly and indirectly through the rub-off from peer contacts. More importantly, U.S. PVOs are often in a position to confer legitimacy on local leaders;
- Doctrine. U.S. PVOs can serve as role models for the creation of similar or identical institutions;

- Program. U.S. PVOs can provide technical and financial assistance and develop programmatic partnerships;

- Resources. U.S. PVOs can facilitate contacts and lend credibility which in turn can open the right doors at the right time;

- Internal structure. U.S. PVOs can provide useful organizational analogues, particularly with respect to the policy role of the Board of Directors.

- Linkages. U.S. PVOs can help new organizations develop one-on-one linkages with compatible or similar institutions as well as more diffuse linkages with new or different publics.

With regard to strengthening U.S. PVOs to do a better job working with local organizations, Levinger argued that no special additional effort was required since U.S. PVOs are currently effective at what they do. However, she felt that there were some AID policies and practices which were harmful such as full-scale audits of local organizations which tend to undermine a sense of autonomy.

As to factors that should affect a decision to assist a local PVO, Levinger suggested that answers to the following should be determinative:

- Is the local leadership responsive, effective, and capable?

- Are the purposes of the organization consistent with how we understand development occurs?

- Does the organization's program respond to an unmet need?

- Is there a reasonable prospect that the organization can ever marshal sufficient resources to support itself?

- Is the organization led by a truly independent, voluntary policy board?

Finally, Levinger argued that it was a mistake to think of funding trade-offs between local and U.S. PVOs. This was a false dichotomy since the two groups pursue different programmatic objectives.

The discussion from the floor developed the following additional points and themes:

- With regard to AID procedures, intrusive audit requirements and fluctuations in funding levels as a result of

the Washington budgetary process were cited as being particularly counterproductive, although increased field delegation may help with the latter;

- Walter Falcon stressed the importance of effecting policy change and suggested that the capacity of an institution to further constructive policy dialogue should be added to the list of support criteria;

- Enso Bighinatti stressed the danger of developing dependency relationships and the importance of knowing when to terminate or phase out an institutional relationship --recognizing that this varies greatly from case to case;

- Peter Davies concluded by noting that the principle role of U.S. PVOs may not be the transfer of financial or technical resources but rather to act as a catalytic agent to empower local institutions with the capacity to make local decisions and thereby determine their own future and direction.

REVIEW OF DISCUSSION

Julia Taft briefly summarized the day's discussion by reviewing the key themes that had been discussed:

- With regard to the AID relationship, the importance of understanding that for the PVO community, the relationship with AID is only one of many other relationships;

- The management and communication problems posed by AID's decentralization policy and the need to design alternative mechanisms to ensure a systematic and organized dialogue at the field level;

- The critical importance of the current budgetary debate not only with respect to the level of direct support for PVOs but also the planned manpower cuts which may jeopardize important initiatives including the establishment of a data collection/information center. For the longer term, the importance for the PVO community of becoming involved in AID's deliberations regarding alternative delivery systems or modes of operation;

- With regard to privacy, the critical importance of taking the initiative and developing a definition of privacy that reflects the needs and diversity of the community.

FOOD FOR PEACE SUBCOMMITTEE

The session was chaired by LaVern Freeh and focused on AID's response to the African crisis and on a review of the major issues involved in the reauthorization of the PL 480 program.

General Julius Becton, Jr., who directs AID's Task Force on the African Emergency, provided an overview of the role of his Task Force and current efforts:

- The Task Force was established on a short-term basis to expedite the U.S. response to the crisis in Africa, solve problems and cut through red tape;

- The Task Force has three principle missions: to determine who is at risk; what is the need; and deliver the resources to deal with the need;

- Major problems facing the Task Force include: Logistical and distribution breakdowns and bottlenecks; dealing with political pressures; responding to misinformation and occasional disinformation; handling donated in-kind contributions where cash is strongly preferred;

- The U.S. has pledged to provide 50 percent of the need and to date has committed nearly \$400 million in emergency assistance of which roughly \$350 million has been for food aid. Other donors have been less responsive due in part to budgetary problems, in part to a reluctance to continue emergency assistance absent an indication that the basic structural problems that led to the crisis will be dealt with;

- PVOs are critical to the effort and are particularly valuable in their capacity to work in areas where an official presence would not be possible.

Finally, General Becton stated his belief that the famine in Africa had less to do with nature or an act of God than with three other factors: social and domestic pressures; the interplay of prices and wages; economic and market influences.

Tom Reese, Director of the Office of Food for Peace at AID, spoke to the major issues that would be confronted in the upcoming debate on the reauthorization of PL 480.

- PL 480 serves various objectives and the debate on the reauthorization will have to deal with these. They are: Humanitarian; economic development; commercial or market development; foreign policy.

- The official Administration position on PL 480 involves minimal changes and an extension of current legislation through the year 2000. But there are other legislative initiatives that have been introduced and there are a variety of organizations with different points of view that are looking at PL 480 and either have or may suggest legislative changes.

Specifically, there appear to be several interests or concerns that have surfaced that may influence the ultimate shape of the legislation. These are:

- An interest in the possibility of moving back to a system of local currency repayment, with local currencies earmarked for development;

- An interest in improving the effectiveness of the Title III program, which allows for loan forgiveness in situations where the recipient plows the repayment back into development;

- With regard to Title II, the possibility of increasing the minimum tonnage from two million to three million metric tons and in adopting multi-year agreements;

- Also, with respect to Title II, an interest in making local currency available to PVOs to enhance nutrition and health programs, recognizing the difficulty in working out these programs with the local countries;

- With regard to disaster preparedness, an interest in finding ways to reduce the reaction time in responding to an emergency through, for example, increasing operating reserves or establishing pre-positioned food reserves in the U.S.;

- A Food for Progress initiative designed to interest the private sector in development.

Robert Drachenberg responded with views from the PVO perspective and stressed that there were three critical initiatives:

- An increase in the minimum tonnage from the current level of 7.6 million tons per annum to 11.35 million tons per annum by 1990;

- Giving PVOs discretionary authority to monetize a percentage of Title II commodities;

- Authorization of multi-year commitments in order to

provide program continuity.

Discussion from the floor concentrated on the following themes:

- With regard to logistical problems of delivering and distributing food in Africa, the situation differs country to country: Sudan appears to present the most difficult problem, particularly since estimates of need continue to rise; in Ethiopia the port problems appear to have been largely resolved; in West Africa the problem is getting the food up-country.

- The participation of DOD in the shipment and distribution of food in emergency situations sparked considerable discussion. Larry Minear expressed his concern with DOD involvement in the administration of relief programs noting that this implies a much more active and substantive role than just the transportation of commodities. Julia Taft presented a different perspective. She argued that in emergency situations we should avail ourselves of the considerable talent and expertise of DOD to get the job done. She pointed out that there were extensive safeguards and limitations on DOD that would ensure that they do not act improperly and argued that rather than limit their role we should expand it to include provisions of essential infrastructure when necessary in critical situations.

- With regard to pre-positioning commodities, Tom Reese felt that while this was appropriate within the U.S., the inherent management problems and inflexibilities of storing commodities overseas outweighed the benefit of proximity.

- With regard to the use of counterpart funds, AID is interested in exploring creative mechanisms that would improve the developmental impact of this resource. The ability to program these funds varies, of course, from country to country and must be negotiated in each instance.

- Reese summed up the current situation by underscoring the fact that while AID took the position that PL 480 was a powerful development tool, there were countervailing currents. For example, increasing the tonnage runs up against the deficit problem; imaginative uses of PL 480 such as monetization is seen as increasing the number of foreign aid "spigots". The Administration does not yet have final positions with respect to these various positions and concerns, although AID would clearly prefer to see the development arguments prevail.

PVO-UNIVERSITY RELATIONS SUBCOMMITTEE

The session on PVO-university relations was chaired by Marie Davis Gadsden who underscored the importance of PVO-university cooperation but noted that the elements of that relationship have not yet been adequately defined. Ralph Montee reported on the results of a survey of PVO-university collaboration that he had conducted under the auspices of the ACVFA.

- There is considerable overlap in sectoral areas of interest between PVOs and universities, particularly in the areas of education, rural development and agriculture;

- There is also a rough similarity with regard to the types of collaboration, i.e. training, research, project design;

- Most of the collaborations were long-term, three years or more;

- Most of the collaborations were completed;

- Only 10 percent of the collaborations appear to have involved disputes or complaints;

- The preponderant majority of those surveyed indicated they felt the collaboration was successful or highly successful and most indicated interest in future collaboration;

- With regard to future areas of collaboration there was a close match between sectoral areas of interest and between interest in various types of collaboration;

- Universities appear to place a particularly high value on PVOs in the area of project identification and design;

- Each group places a high value on what can be learned from the other.

Discussion from the floor centered largely on PVO-university relations as they relate to professional opportunities and the flow of new talent into the PVO community:

- It was felt that there is a need for a more systematic and formalized mechanism than now exists to identify professional opportunities in international voluntarism and to bring people and jobs together;

- There is a need at the college guidance and placement level to encourage and counsel students who have a nascent interest in international affairs;

- At the same time, there is some evidence that the number of opportunities is decreasing, particularly with the quite appropriate trend toward local hire;

- Whereas in the past, people seeking professional opportunities in international development came well educated with Peace Corps, UN or AID experience, this is less the case now. Increasingly, additional specialized training in a technical area or in management is needed;

- Many PVOs have intern programs, but these need to be collected in a common register and perhaps this is an appropriate role for InterAction;

- Finally, several specific resources were noted including TransCentury's Jobs Bulletin and a new program at the University of Wisconsin that provides training in disaster management and preparedness.

With regard to the PVO-University Subcommittee's future agenda, there were two suggestions:

- A focus on the implications for both PVOs and universities of the Administration's recent tax proposal that would limit the exemption currently accorded to contributions to charitable organizations;

- That the subcommittee act as a catalyst to seek out and identify areas of joint university-PVO research on critical development issues.

PVO-CORPORATE RELATIONS SUBCOMMITTEE

Kenneth Smith, Chair of the Subcommittee, provided a brief overview of the activities of the subcommittee which have included the making of a slideshow and the preparation of a report analyzing barriers to better PVO-corporate relations. In addition, AID, largely at the instigation of the committee, has established a fund administered by the Fund for Multinational Management Education that provides grants for proposals, plans and feasibility studies to organizations interested in developing working relations with U.S. firms. In short, there are a variety of resources available to PVOs that are interested.

The PVO-Corporate Relations Subcommittee was established to serve a "marriage broker" role. There have been some successes but the current assessment is that basically this is a concept whose time has not come. Only a few of the larger PVOs have shown a strong interest; there is little evidence of

broad-based interest among small and medium size PVOs apparently due to a skeptical attitude toward working with organizations that are driven by a profit motive. While businesses have been skeptical, the principle resistance has been from the PVOs. On the basis of experience to date, it appears that the Subcommittee has done what it set out to do. The question is, therefore, whether or not to continue the effort and if so, in what form.

The following discussion developed several themes:

- There is clearly a very substantial latent need to develop constructive working relationships between business and PVOs. U.S. firms have a strong interest in operating overseas but lack the knowledge of how to get into these markets and tend to distrust or discount advice from official government channels. PVOs have considerable understanding of local markets and cultures and could be of great value.

- The benefits of collaboration are significant: helping U.S. firms function effectively; helping small to medium-size LDC firms through linkages with U.S. firms; technology transfer; opening of new markets, etc.

- On the negative side: The Committee has been in existence for three years and has not been able to generate a great deal of interest; there has been only modest, low-level interest in conferences and seminars to promote collaboration; the AID grant to the F.M.M.F. is essentially part of a phase-out effort since AID has not seen significant interest.

In this context, the Subcommittee could either phase out and terminate its efforts, put them on temporary hold or identify a follow-up initiative. If the latter, there are several possibilities:

- Work with AID's private sector programs to ensure inclusion of incentives for PVO collaboration;

- Select a single country for a focused pilot effort to see if useful PVO-business relations could be developed;

- Identify one or more line items in corporate budgets, education for example, and attempt to develop PVO-corporate interchange in this focused manner;

- Establish a new PVO with a sole focus of working with PVOs and with small to medium size U.S. firms.

Of these alternatives, there was a general interest in the establishment of a new PVO, presumably supported largely through business donations. Kenneth Smith will develop this concept for the next meeting and report on a focus, strategy, and mission statement.

The meeting was adjourned at approximately 5 p.m.

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ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

RESULTS OF THE MARCH 1985 ACVFA MEETING:

ISSUES FOR DISCUSSION WITH THE ADMINISTRATOR

PRIVATENESS OF PVOs

The ACVFA finds that the law currently in effect to define the privateness of PVOs for purposes of eligibility for USG funding [123(g)] adequately safeguards the financial independence of PVOs while giving AID the flexibility necessary to insure optimal use of PVO capabilities. The Administrator should recommend to Congress that this law be retained over the less flexible Lewis Amendment, scheduled to go into effect on January 1, 1986.

- * The ACVFA finds the criteria and goals of the Lewis Amendment unclear, believing that it confuses privateness and overdependence.
- * The percentage of non-USG cash contributions spent on development assistance by PVOs should be only one of several criteria used to determine privateness. Other factors to be considered are volunteer support, contributions in-kind, whether there is a broad-based board of directors, effectiveness of overseas programs, and financial viability in general.
- * Because the current law has only just been enacted, it is too early to measure its effect. For example, it is not known whether the current law will act as a disincentive for new and minority organizations to become involved in AID programs. The exclusion of AID's waiver authority from the Lewis Amendment leaves AID with no opportunity to prevent this from happening.

AID'S BUDGET ALLOCATION TO THE OFFICE OF PRIVATE AND VOLUNTARY COOPERATION (PVC)

The ACVFA finds that even during this period of budget cuts, special consideration should be given to insuring adequate budget allocations for the central PVO grant program.

- * Much time and money has been spent making the AID-PVO relationship a viable one. The quality of that partnership is very high, and PVOs are now better prepared than ever to work with AID as development organizations.

- * The budget of the Office of Private and Voluntary Cooperation has stood still or diminished at the same time that office has been helping develop the capabilities of PVOs. Now that more PVOs are in a position to qualify for Matching Grant or Partnership Grant relationships with AID, there are inadequate funds to fulfill that potential. It makes policy and financial sense that AID provide adequate funding for the Matching and Partnership Grant Programs.
- * PVOs should be a major source considered in the search for alternative and least costly delivery systems.

THE PVO INFORMATION SYSTEM

The PVO Information System is an important component of AID's PVO Policy Paper and its operation is critical in the effort to inform Mission Directors of PVO capabilities. Steps should be taken to insure that the system is maintained.

OCEAN FREIGHT

The ACVFA recommends that those PVOs participating in the Ocean Freight program be allowed to recoup from the supplemental appropriation to the Office of U.S. Foreign Disaster Assistance those Ocean Freight monies spent in responding to the disaster in Africa so as not to jeopardize their on-going, non-emergency programs.

PVO RELATIONS WITHIN THE AID SYSTEM

The ACVFA finds that in order for AID and PVOs to maintain a successful partnership, there must be mechanisms to insure an appropriate level of consultation between PVO and AID representatives, both in the U.S. and in-country. Coordination among PVOs would facilitate such access, as would AID assistance in institutionalizing consultations during Mission Director visits or regional meetings, and in setting up regular consultation groups such as that organized by the Africa Bureau.

THE DERHAM TASK FORCE ON ALTERNATIVE DELIVERY SYSTEMS

The ACVFA has a strong interest in working with this Task Force to identify how PVOs can expand their partnership with AID by providing alternatives to ineffective or inefficient delivery systems.