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USAID-FINANCED PVO CO-FINANCING PROJECTS IN THE PHILIPPINES AND INDONESIA: RESHAPING THE TERMS OF PVO COLLABORATION

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PREFACE

A most exciting feature of the Private Voluntary Organization Programs in A.I.D.'s Asia and Near East Region during the 1980s has been the "PVO Co-Financing Projects" in several Asian countries. Begun in the middle 1970s, these A.I.D.-funded projects with either American or indigenous PVOs require a 25 percent budgetary contribution from non U.S. Government sources by the PVO, hence the name "co-financing."

The value of "co-fi" projects emanates from several perspectives. From a programmatic point of view, the projects allow a a wide diversity of interventions: education and training; income generation; health; rural development; minority development. From a project management point of view, PVO co-fi sub-projects take any of four diverse forms: grants to U.S. PVOs for their operations; grants to U.S. PVOs for capacity-building of indigenous PVOs; grants to larger, more experienced indigenous PVOs for their operations; and finally, grants to larger, more experienced indigenous PVOs for capacity-building of smaller indigenous PVOs. From a mission management perspective, while the number of co-fi sub-projects on one hand demands considerable management time by mission staff, on the other hand the mechanism of sub-grants to indigenous PVOs permits reaching many small, often remote institutions through a few well-known and accountable intermediate entities. The common contribution all PVO co-fi projects make to national development is the strengthening of local private institutions.

The Asia and Near East Bureau through its missions funds PVOs through co-financing and other projects at a substantial level: $133,583,000 in obligations for Fiscal Year 1988. This figure represents 34 percent of the Bureau's eligible budget, as reported in the Congressional Presentation.

While significant funds are being appropriated to PVOs for work in Asia and the Near East, outside of mission reports or publications, evaluation studies, and some internal A.I.D. meeting discussions, "the story" of co-fi projects is not broadly known or recognized. With this information gap in mind, the Bureau hired an independent consultant to visit two countries where co-fi was born, and to produce an outside perspective on what co-fi, after a decade, had accomplished, and what issues he saw related to A.I.D. support to PVOs.

The result is the accompanying report, "USAID-Financed PVO Co-Financing Projects in the Philippines and Indonesia: Reshaping the Terms of PVO Collaboration." The author, a Professor at American University in Washington, D.C., with experience both with PVOs and with A.I.D., gives his personal assessment of the roles played by indigenous PVOs. He explains how the co-fi system works; he cites the impressive accomplishments of the local PVOs he visited and learned about; and the author describes the delicate balance between PVOs and local government. The concluding section presents recommendations to the three key audiences: A.I.D.; U.S. PVOs, and indigenous PVOs.

While the Bureau may not support every recommendation, such as allowing 25 percent of PVO project budgets to be flexible and non-accountable, the Bureau would endorse the majority of the recommendations. We circulate the report as an important "think piece" on the interrelationship of PVOs to donor, and of PVOs among themselves, in an area of the world where local non-governmental institutions are in the forefront of development activity.

In addition to thanking the author for his stimulating insights, I would like to express appreciation and admiration to the PVO project managers in the two U.S.A.I.D. missions and to the many local PVO institutions who contributed to the study.

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INTRODUCTION

This is a brief introduction to provide background information on the key themes I examined during a field study of indigenous private voluntary organizations (IPVOs) funded by USAID in the Philippines and Indonesia.

I arrived in Manila on August 30th, 1988, and made in-country trips to Cebu and Davao. I left the Philippines for Jakarta, Indonesia on September 8th and arrived that evening. We made in-country trips to Yogyakarta, Klaten, Subang and Bandung. I left on the morning of September 18th to return to the United States.

While in the Philippines I interviewed the following people and/or visited programs/projects being implemented by their organization:

- The GOP office for oversight and certification of NGOs/PVOs;
- Ramon Binamira, President of the ILAW Center;
- Ernesto Garilao, CEO of Philippine Business for Social Progress (PBSP) and visited his training center and demonstration farm project in Laguna;
- Aurora Silayan-Go, Vice President of the Population Center Foundation;
- Fr. Beltran, Project Director of Smokey Mountain Urban Slum Project;
- Leonardo Chiu, Chief Staff Officer of The Ramon Aboitiz Foundation (RAFI);
- Francisco Fernandez, Director of the Patambayong Housing Program and GOP Commissioner of the Urban Poor;
- Ms. Sony Chin, Chief Staff Officer of the Development of People's Foundation (DPF) and Community Health Through Integrated Local Development (CHILD);
- Ms. Marietta Goco, CEO of the Foundation for Educational Evolution Development (FEED);
- Mother Milagros, Project Director of the Mother Rosa Foundation;

- o Eli Lademora, CEO of Tulay sa Pag-Unlad interview and visit to their small business and fishing cooperative projects;

- o Joint meeting with: Dr. Eleasar Sarmiento, Medical Ambassadors
  Rev. Rufino Tima, Ecumenical Foundation
  Ms. Joy Duran, Soriano Foundation
  Ms. Shirley Libre, PAFID
  Ms. Arlene Liberal, SERDEF

- o Interviews with the Mission Director and six USAID staff members. My interview schedule was arranged by the USAID/VHP office.

While in Indonesia, I interviewed the following people and/or visited programs/projects operated by their organizations:

- o Dr. Gordon Hein of The Asia Foundation;

- o Several members of CARE/Indonesia's Program/project management staff;

- o Wahana Lingkungan Hidup Indonesia (WALHI);

- o Bina Desa (Pembinaan Sumber Daya Manusiawi Pedesaan);

- o Aswab Mahasin, Director of LP3ES;

- o Yayasan Indonesia Sejahtera (YIS);

- o LPTP Machine Shop Project;

- o National Cooperative Business Association (NCBA);

- o Dien Desa (Appropriate Technology Group) in Yogyakarta;

- o Bina Swadaya (irrigation and small business projects) in Subang;

- o Marty Poland of Save The Children Foundation;

- o Interviews and meetings with the Mission Director and six members of the USAID/VHP Office. A three-page executive summary and 10-page overview paper were prepared for a debriefing meeting open to all USAID staff members.

A structured format was prepared in which to record interview data to allow responses to be standardized to

facilitate matrix presentations and data correlation analysis. Interview techniques included one-to-one, key informant, group interviews and cross-reference interviews.

Prior to leaving from the Philippines and Indonesia, I interviewed as many persons with relevant expertise as time constraints permitted. Some of those people gracious enough to share their insights included the following:

- o Paul Bisek, FVA/PVC (former PVO Officer in A.I.D./ANE)
- o Ross Coggins, A.I.D. (former Indonesia IPVO Program Manager)
- o Julie Fisher, author of a new book on Third World PVOs
- o Ross Bigelow, A.I.D./S&T (formerly with the PVO Office)
- o Coralie Bryant, Overseas Development Council (ODC)
- o Irene Tinker, Equity Policy Center (EPOC)
- o Guy Gran, Author and development research consultant
- o Steve and Douglas Hellinger from the Group For Alternative Policy (GAP) in Washington, D.C.
- o Hubert Humphrey Scholars and American University graduate students with recent experience working a middle management government officials in Indonesia and the Philippines. They were familiar with past and present government attitudes regarding IPVOs and several had worked directly with those organizations. There were approximately one dozen of these individuals who were well informed and very helpful.
- o Representatives from USPVOs with IPVO expertise and recent publications focusing on A.I.D. and its relationship with PVOs.

ACRONYM LIST FOR IPVO REPORT

ANE	Asia and Near East (A.I.D.)
BIR	Bureau of Internal Revenue (Philippine Government)
BINGOs	Big Nongovernment Organizations
CDIE	Center for Development Information and Evaluation
CHILD	Community Health Through Integrated Local Development
CEO	Chief Executive Officer
CO-FI	Co-Financing (A.I.D.)
DPF	Development of Peoples Foundation
ECD	Enterprise in Community Development (USAID Philippines)
EPOC	Equity Policy Center
FEED	Foundation for Educational Evolution Development
FY	Fiscal Year
GOP	Government of the Philippines
GOI	Government of Indonesia
GOUS	Government of the United States
GAP	Group for Alternative Policy
GINGOS	Government organizations with quasi-governmental functions
HUAC	House Un-American Activities Committee (U.S.)
IPVO	Indigenous Private Voluntary Organization
IDI	International Development Interns (A.I.D.)
LP3ES	Lembaga Penelitian, Pendidikam dan Ekonomi dan Social
LINGOs	Little Nongovernment Organizations
LPSM	Lembaga Pengembangan Swadaya Sasyarakat (Promoter Organization of Community Self-Reliance)

LSM	Lembaga Swadaya Masyarakat (Community Self-Reliance Organization)
LDC	Less Developed Country
MPS	Multiple Program/Project Support
NCBA	National Cooperative Business Association
NEDA	National Economic Development Authority (Philippines)
NGO	Nongovernment Organization
NPA	National People's Army
ODC	Overseas Development Council
O&M	Operation and Maintenance
ORMAS	Mass Organizations Law (Indonesia)
PL-480	U.S. Public Law #480 (Surplus Food Distribution)
PVO	Private Voluntary Organization
PAFID	Philippine Association for Intercultural Development
PBSP	Philippine Business for Social Progress
PRC	Project Review Committee
RAFI	Ramon Aboitiz Foundation
S&T	Science and Technology (A.I.D.)
SSE	Small Scale Enterprise
T.A.	Technical Assistance
TBO	Training by Objectives
TSPI	Tulay sa Pag-Unlad, Inc.
USPVO	U.S. Private Voluntary Organization
USAID	United States Agency for International Development
UNDP	United Nations Development Program
VHP	Voluntary and Humanitarian Programs Office (USAID)
WALHI	Wahana Lingkungan Sumber Daya Manusiawi Pedessan
YIS	Yayasan Indonesia Sejahtera

EXECUTIVE SUMMARY: RETHINKING COLLABORATION

USAID in the Philippines and Indonesia have realized that the traditional terms on which the Agency and USPVOs once collaborated with indigenous PVOs have changed dramatically. Both Missions know that the old way of thinking and "doing" development was based largely on perceptions of a patron-to-passive-recipient relationship which has become anachronistic.

USAID offices in those Missions are setting an example and sending a message to both the Agency and USPVOs that many cherished assumptions must be discarded as we begin re-thinking the relationship with IPVOs.

The Message to A.I.D./Washington

o The experience of USAID in the Philippines and Indonesia contains a lesson for the Agency in how to increase the sustainability and cost-effectiveness of its programs and presence. Whatever new government comes to power in the Philippines and/or Indonesia they will experience resource scarcity and need to decentralize service delivery. USAID assistance has helped the IPVOs become exactly the type of cost-effective T.A. delivery system needed to make decentralization workable.

o USAID's co-financing approach is not only justified by its success in building the program capacity of indigenous organizations it is also a management imperative. Providing out-reach services through established IPVOs is the only affordable way to reach smaller, newly formed, local organizations in isolated, widely dispersed areas. USAID does not have the staff, budget or travel time to provide all of the hands-on, on-site assistance required by a growing number of IPVOs.

o Several IPVOs now have the required expertise to administer larger blocks of funds and others are rapidly reaching that point. Their financial management roles and responsibilities should be expanded accordingly.

o Real progress has been made by USAID in the Philippines and Indonesia in what could be described as "democratization" defined and implemented within the framework of prevailing constraints. Working through the IPVOs, more people are making more decisions more often about how best to participate in constructive

solutions to their problems. This success story needs to be heard and understood by the U.S. Congress and the American public who are not convinced that development works and should continue to be supported.

o The Agency has made significant progress in the Philippines and Indonesia but this should not trigger a rush to replicate in the mistaken belief that more is necessarily better. Other apparently similar countries are actually unique. Further studies should be funded to understand the socio-cultural, political and organizational preconditions which make replication probable in comparable country environments.

o The USAID direct management and staff people working with IPVOs are competent and committed. They have also benefitted from the work of several of their predecessors. A.I.D. must make sufficient funds available to make this program an Agency priority both in terms of budget allocations and career advancement opportunities.

o Grant-making autonomy is essential for the continued success and programmatic flexibility of USAID offices working directly with IPVOs. Proposed local government initiatives which would give LDC agencies the power to impose political rather than developmental IPVO selection criteria on USAID grants to IPVOs should be strongly resisted.

o In most cases, A.I.D. is neither the sole nor majority funder of major IPVOs with established trackrecords. USAID's influence with these IPVOs stems from an established personal trust relationship with past and present individual managers and field staff not financial leverage.

o A.I.D. should help USPVOs to understand the ramifications of continued collaboration with IPVOs which have demonstrated high levels of development competence and are no longer dependent on the T.A. or funding USPVOs can provide. It is important that this changing relationship not be presented as repudiation of past assistance nor as hostility by IPVOs seeking higher levels of self-determination. Cooperation is still possible and mutually desirable, but a new needs assessment must evolve through sincere dialogue.

The IPVO Message To USPVOs

o The IPVOs are as good and often better development practictioners than the USPVOs now providing them some types of technical assistance they no longer need nor want.

o IPVOs know more about their governments' sensitivities and occasional windows of opportunity for productive dialogue on development issues than USPVOs seeking to act as intermediaries on their behalf. The IPVOs have the cultural sensitivity required to cope effectively with government relations which are essential and often fragile.

o The IPVOs are not hostile toward USPVOs nor unappreciative of the assistance they have provided in the past. They want collaboration to continue in an atmosphere characterized by respect for what they have accomplished and the high level of competence required to achieve those gains. They are willing and able to specifically describe whatever T.A. they need on terms which do not compromise their autonomy. Off-the-shelf packages and one-size-fits-all models are not acceptable.

o The IPVOs are willing and able to share with you the valuable lessons they have learned resulting in highly impressive achievements in development education, cost-recovery, internally generated income and earnings, commercially viable technology R&D , collaborative energy/ecological strategies and many other types of learning.

o Staff exchanges of mature, productive people are generally encouraged between IPVOs and USPVOs and there is room for some shared advocacy. The IPVOs stress the importance of USPVOs doing development education programs at home on trade, aid and ecology issues.

o In both the Philippines and Indonesia it now costs some $100,000 a year for an ex-pat T.A. consultant which would pay the salaries of very many qualified, committed local development workers. This kind of imbalance can not be ethically rationalized nor financially sustained any longer. USPVOs should take a leadership position in a three-way communication with donors and IPVO leaders to make needed reforms, thereby avoiding the crippling effects of having them externally imposed.

ASSESSING USAID/IPVO ACCOMPLISHMENTS

USAID in both the Philippines and Indonesia has made a strategic decision to expand and enhance the institutional capabilities of the indigenous private voluntary organization (IPVO) sector. This decision has produced and continues to produce the following development achievements:

- o Highly cost-effective channeling of A.I.D. funds to large and all indigenous PVOs in both countries.

- o A growing USAID willingness to transfer financial accountability from U.S. to indigenous PVOs.

- o A growing willingness and capability on the part of IPVO intermediate institutions to channel USAID funds to sub-grantees, thereby expanding their service delivery capability without diminishing their autonomy.

- o Significantly facilitating the on-going efforts of IPVOs to successfully influence GOP and GOI to make their community programs more participatory and responsive to priority needs.

- o Expanding and enhancing government decentralization initiatives in a non-threatening manner which reinforces the perception that IPVOs are an effective and appropriate vehicle for accomplishing shared development objectives.

- o Specifically targeting funds for long-term human and organizational resource development objectives which has enhanced sustainability.

- o Successful initiatives by some IPVOs to internally generate revenue from fees for services and/or production and marketing of products as a means of decreasing dependency on grant funds.

- o Facilitating the on-going efforts of some IPVOs to develop, adapt and disseminate appropriate technology.

- o Facilitating the on-going development education programs and publications of several IPVOs.

- o Facilitating the highly sensitive process of IPVO and government dialogue on policy and procedural issues by respecting the pace and constraints of their "playing field".

In both countries, this strategy requires a flexible response to a superficially similar yet unique blend of development constraints and opportunities. The success of this strategy is the direct result of USAID's high level of socio-cultural and political awareness which is a sine qua non for the continued viability of this approach.

The dynamism of the IPVO sector in both countries and the impressive cost benefit achievements of this USAID strategy will encourage other Missions to attempt to replicate this experience. This response should be encouraged, provided sufficient attention is given to the subtle but strategically important contextual differences between both countries. The Philippines and Indonesia are unique environments and the success of USAID in both countries is a direct result of their ability to tailor development responses to differing operational realities.

Indonesian IPVO Impacts

In Indonesia, where GOI has traditionally exerted monopolistic control over all community development initiatives-with mixed results, IPVOs have achieved impressive successes in legitimizing alternative approaches. This process of technical and socio-political legitimation has earned the support of "enlightened" technocrats and bureaucrats with macro level central government responsibilities and credibility.

A recent evaluation of USAID's effectiveness in promoting, enhancing and sustaining Indonesia's IPVO sector listed the following examples of legitimized alternative approaches which were internalized by GOI programs:

- Participatory approaches in community development;
- Community-based social delivery systems;
- Community-level production and marketing promotion;
- Cooperatives, village banks and other small credit systems for beneficiaries without collateral or access to commercial credit;
- Development of provincial and district level planning boards and processes;
- Pre-cooperatives which graduated to become full cooperatives;

o Use of media for public education and conscious-raising concerning: development issues, processes and procedures;

o Use of traditional water user's associations to increase and improve the participation of farmers in irrigation system water management;

o Micro and small scale entrepreneurial development initiatives;

o Environmental protection and awareness-building;

o Structured programmatic approaches to provide legal aid services to the under-privileged;

o Consumer protection and awareness-building;

o Development and promulgation of new participatory training methods as an alternative to GOI lecture and rote memorization techniques;

o Dissemination and internalization of participatory action research techniques shown to be effective;

o Production and distribution of quality development publications (Prisma, Tarik, Trubus, Potensi, Galang, Alternatif, Pesantran, Pesan, etc.)

o Preparation and dissemination of development text books based on Indonesia and Third World development experience;

o Promotion and enhancement of women's participation in development;

o Participation of small and mid-level Indonesian farmer;

o Potable water programs for low-income people with operations and maintenance and cost-recovery mechanisms which function effectively; and,

o Advocacy of initiatives to preserve and enhance cultural rights of minority tribal and ethnic groups.

Filipino IPVO Impacts

My interviews and field visits in the Philippines also revealed examples of IPVOs which have successfully provided GOP

persuasive evidence that alternative approaches to community development problem-solving are viable and cost-effectively sustainable.

During these interviews, the impression conveyed by IPVOs is that their goal is not predominantly one of consciously setting out to build models for GOP replication, although that frequently results. A primary objective is teaching. They are conscientious professionals continuously examining their experience to learn what works well or badly and why. They are involved in an on-going process of community action, reflection, adaptation based on on-going reaction (feedback), good monitoring to feed informed management decisions and follow-up services. Their primary objective is service to the beneficiary communities.

The following are examples of successful IPVO program/project initiatives which we observed in the Philippines while conducting interviews and making site visits:

- o Community volunteers involved in team-building programs who bring high levels of social commitment, sensitivity, supportive interaction and patience to work they obviously enjoy doing;

- o Highly sophisticated health and community development monitoring systems continuously up-dated and maintained by community workers;

- o Income-generation and credit programs with high repayment rates and potentially sustainable designs;

- o Community mobilization and organization programs succeeding under the most challenging conditions;

- o Agricultural projects with sophisticated crop diversification, market strategies, innovative processing technical innovation, farm systems to reduce fertilizer and pesticide costs and levels, ecological sensitivity and high levels of beneficiary management;

- o A commitment to cost-effective, innovative training programs with facilities shared by several IPVOs to maximize out-reach effectiveness;

- o Women with wealthy and influential family connections who use that network effectively and also bring high levels of technical competence to program/project implementation;

o A serious effort by USAID to actively involve multi-national corporations as a component in their development strategy; and,

o An IPVO which has successfully involved the Philippine business community in a highly professional set of inter-related development initiatives which has significant cost-effective growth potential.

These and several other Philippine IPVO sector accomplishments deserve and require longer-term research for the purpose of extracting learning which could and should be widely disseminated within the development community.

USAID FUNDING OF THE IPVO SECTOR

Co-Financing in Indonesia

We will begin by focusing on USAID Indonesia since A.I.D.'s co-financing initiative began there with CO-FI I in 1974. It began as a three-year pilot project to provide support to US PVO providing development assistance in that country. It was amended and continued until 1982 by which time it had provided over $6 million dollars to 18 US PVOs for 79 development projects with a total value of US $15.8 million.

Co-Fi II began immediately after Co-Fi I was completed. It was originally approved for four years to provide $11.25 million in grant funding to both US and Indonesian NGOs. Co-Fi II was subsequently extended to 1991 and supplemented with an additional $15 million in grant funds. Co-Fi III is now on the drawing board and is expect to run from 1991 through 1996 with an anticipated funding level of about $3 million annually.

By the end of last year, Co-Fi I and II provided support to 146 projects involving 18 US NGOs and 10 big Indonesian NGOs (BINGOs). Several hundred small Indonesian NGOs (LINGOs) were served through "block grants" administered by both US NGOs and the Indonesian BINGOs. Block grants (the preferred USAID Indonesia terminology is Multi-Project Support Grants) are functionally subsumed without the overall heading of Co-Fi. Operationally, the difference is that Co-Fi grants are individual program/project focused while "block" or MPS grants are given to an NGO will sufficient financial management ability to make sub-grants to smaller IPVOs (LINGOs).

USAID/VHP reports the following Co-Fi allocation figures over the past ten years:

	CO-FI I (0225)	
FY 78		$1,030,342
FY 79		816,999
FY 80		2,740,008
FY 81		1,500,273
		$6,087,622
	CO-FI II (0336)	
FY 82		$1,745,748
FY 83		2,233,834
FY 84		2,531,322
FY 85		4,425,000
FY 86		3,400,000
FY 87		1,993,000
FY 88	Best Estimate	3,334,000
		$19,662,904
Total CO-FI I & II (FY 78-88)		$25,750,526

The Latest Trends and Lessons Learned

At present, USAID Indonesia has registered 16 IPVOs and hopes to register at least three groups in each of the next four years, bringing the total registered IPVOs to at least 28. Although the country has an estimated 4,000 NGOs, the total number of LINGOs which are potential USAID PVO registrants is about 200. Historically, the pace of IPVO registration with USAID has been about two per year. USAID/VHP wants to register five or six this year which would be about a 100% increase over previous years, when only two or three were registered.

During the early stages of the Co-Fi Programs (1974-84) almost all of the funds were given to US PVOs. That trend began to change in 1985 when Co-Fi direct funding to Indonesian NGOs reached $451,219 and has been steadily increasing ever since until USAID funding of Indigenous PVOs (IPVOs) now totals almost half of the total portfolio.

This trend is significant and reflects some of the lessons learned by USAID Indonesia regarding the comparative strengths and weaknesses of USPVOs vs. Indonesian IPVOs.

- USPVOs focus their technical and financial resources on the problems of effective program/project management;

o These USPVOs and their supporters represent an important domestic constituent support group for the Agency's foreign assistance program;

o Some USPVOs (The Asia Foundation is usually singled out for specific praise) demonstrated a strong commitment to developing local institutional capabilities;

o Because the USPVOs are "foreign," they enjoy greater freedom to suggest new ideas. Such outside sources often tend to be given higher credibility by GOI and some community leaders;

o USPVOs are more familiar with A.I.D. policies and procedures and tend to experience fewer problems processing the required paperwork;

o An important negative consideration is that USPVOs tend to be less skilled at understanding and creatively coping with the intricacies of functioning effectively in the socio-cultural and political environment;

o USPVOs have significantly higher overhead expenses than their IPVO counterparts which generally makes them much less cost effective in a resource-scarce environment;

o Many USPVOs have or are perceived to have Christian church affiliations which can give rise to charges of favoritism toward communities and local NGOs with a shared religious orientation. The vast majority of people in Indonesia (about 90%) are Muslims;

o Increasing the level of Indonesian IPVOs is considered to be a more effective means of implementing the Agency's mandate to stimulate viable, self-sustaining local development organizations.

o USAID/VHP should be free to fund the best available programs/projects rather than be restricted by geographical and/or sectoral funding criteria constraints. Working to increase the number of qualified, registered IPVOs is an effective means of increasing the probability of receiving better project proposals.

USAID/VHP has a hard-working, well managed staff but they appear to be somewhat over-extended in terms of the current and projected workload required to register additional PVOs and especially in the area of monitoring and evaluation responsibilities. For example, USAID/VHP staffers are now

scheduled to visit each project annually. But the combined effect of an expanded workload, budget restrictions and widely separated program/project locations requiring demanding and expensive travel means they now complete this cycle in 18 months rather than 12. Nonetheless, progress has been made in USAID/VHP by streamlining and standardizing the formats and procedures for PVO registration, Program/Project Concept Papers, developing a Monitoring Checklist for program/project proposals and the Reporting Format.

The USAID/VHP office had scheduled a important workshop with its present and potential IPVOs clients which was to be held shortly after I left the country. The purpose of that meeting was to familiarize the organizations with USAID's project presentation, approval, reporting and monitoring procedures as well as VHP's development priorities, strategy and vision as represented in the CDSS. This meeting can be an opportunity to open dialogue with IPVOs who have been given copies of the CDSS but tend to treat it in the same manner as the GOI's National Development Plan. Both are seen as being painted with broad brush strokes to provide enough elasticity so that any "reasonable" program/project initiative can be accommodated. This is much more a cultural manifestation of how NGOs cope with authority structures than a serious USAID operational constraint. However, improving communication on this an related matters will prove somewhat helpful.

USAID IPVO Registration Criteria in Indonesia

IPVOs seeking to be registered with USAID Indonesia must meet the following criteria:

- o They must have audited books for a three-year period (de facto this requires IPVOs seeking registration to have a three-year track record and be able to keep auditable books);
- o The IPVO organization must have a Board of Directors;
- o The organization must be legally registered with GOI and its charter and constitution must have been notarized by the GOI Department of Justice (this is to assure it is actually a non-profit organization and its juridical persona has been recognized by GOI);
- o There is no asset base requirement. However, a USAID/VHP team does assess the IPVO's level of program, financial management and program/project administration abilities. In

cases where IPVO deficiencies are found, specific recommendations are made to remedy these problems to maximize financial and programmatic accountability;

- In compliance with USAID regulations, the IPVOs are exempted from all taxes, except on personal income of employees, through their organizational charter. (USAID funds cannot be used by organizations to pay any taxes.)

- The IPVO must be able to contribute 25% counterpart funding either in cash or in-kind which is provided by a source other than the US government (This does not mean that the counterpart must be locally raised, only that it not be USG).

Co-Financing in the Philippines

IPVO funding decisions at USAID Philippines are made by a Project Review Committee which meets whenever five to seven project proposals accumulate. Formerly, the PRC met only twice a year but the volume of projects submitted awaiting decisions increased and they sought to avoid delays which can become a factor discouraging IPVOs from actively participating in the program.

The USAID/PRC reviews the IPVO projects it receives competitively, rating them on a scale from one to six. Other factors affecting project approval are the amount of funding available in a given sectoral category such as health or agriculture. USAID/VHP described the PRC's funding criteria as follows:

- The relative "believability" of the proposal (an assessment of whether or not it's realistic to expect this IPVO to be able to accomplish the program/project objectives as stated);

- Has the implementing IPVO demonstrated that it has the required management competence and required implementation skills/experience;

- A USAID/VHP team member visits every proposed project site to determine if local people want this IPVO to do the project and believe that it is feasible and can become viable;

- The USAID/VHP team member does a needs assessment with the targeted beneficiaries of the IPVO program/project to see if they have identified the objective as a priority need;

o USAID/VHP determines whether or not the IPVO is competing with another organization which is or soon will be providing this service or filling that need. The fact that GOP may have included this activity within their national or regional development plan is not a reason to disqualify the IPVO proposal unless the GOP has a firm commitment, available funds allocated and a specific implementation date set. (There is a risk that allocated funds may actually be spent for other purposes, but the potential for corruption is both a sensitive issue and difficult to compensate for effectively.)

o USAID/VHP also wants the IPVOs submitting program/project proposals to have consulted with GOP at the lowest level required for successful implementation of the proposed activity. This is done to avoid either perceived or actual competition with GOP which has been supportive of the goals and objectives of these IPVOs. In several cases, GOP has followed up on successful problem-solving initiatives of IPVOs (especially in the area of water and health programs) and sustained those programs.

o Another funding criterion or required precondition is that the peace and order situation in the program/project locality is sufficiently secure so that the IPVO can successfully complete the activity. There can not be a guarantee that an acceptable peace and order ambience can and will be maintained through the life of the program/project. This is and will remain a calculated risk. The criterion for determining how much risk is acceptable is done on a case-by-case basis and is necessarily more of an art than a science.

o IPVOs seeking program/project funding from USAID (both in the Philippines and Indonesia) must be registered with USAID as PVOs to be eligible to receive US government funding directly.

o IPVOs must be able to supply 25% counterpart funding (either cash or in-kind) from a source other than USG, which is the same conditionality applied in Indonesia. However, that regulation can be waived by the Mission Director (done twice in four years in emergency situations) and it is potentially negotiable in the case of Muslim organizations. USAID in both countries is making a special effort to reach additional Muslim IPVOs which are fewer in number and have traditionally received comparatively less attention from funding organizations.

USAID/VHP is not aggressively seeking out new IPVO program/project funding proposals. The primary focus of their activity is getting the USAID/VHP program's funding policies and procedures better known and getting IPVOs to register as PVOs so they are eligible for direct funding.

USAID IPVO Registration Criteria in the Philippines

o The IPVO seeking USAID registration must be registered with GOP's Securities and Exchange Commission;

o The IPVO's Charter and By-laws must state that the organization is not for profit and stipulate that it is allowed to do the types of program/project activities specified in its funding proposal. (There are cases in which organizations falsely claim to be non-profit to avoid paying taxes).

o The IPVO's by-laws are also important because USAID is prohibited from funding organizations whose activities promote specific religions as such, as opposed to Church related community development programs which do not promote specific religious beliefs or proselytize. In some cases, the by-laws state that the organization is formed for religious promotion rather than development activities. (This type of Church-State separation issue is particularly sensitive when it involves Muslim organization which have experienced discrimination and see this prohibition in that light).

o IPVOs seeking USAID registration must have net assets of US $5,000 cash or in-kind ($2,500 cash or in-kind is acceptable from Muslim organizations seeking registration). USAID Indonesia does not have a minimum asset requirement as a registration criterion.

o Another difference between USAID criteria in both places is that the Philippines allows a registered PVO to "sponsor" (endorse as being acceptable/appropriate for registration) candidates while Indonesia does not use that approach.

USAID Philippines has 79 organizations which have been registered as PVOs now eligible for funding and 20 others described as "sub-registered" which receive funds from registered PVOs which have been given block grants for that purpose. The operational distinction between "Co-Fi" and "block grant" mechanisms is the same as it is in Indonesia. The first is

program/project specific funding and the second is funding to an intermediate organization providing outreach to sub-grantees. USAID/VHP has the registration of another 40 to 50 IPVOs as its "short-term" goal.

In the first year of Co-Fi I, 20 Philippine PVOs met USAID's registration standards to become eligible to receive grant funding. In the four years encompassed by Co-Fi (1980-83), 30 sub-project grants were awarded to eight U.S. PVOs and ten Philippine PVOs. The total value of the sub-projects was US $10.85 million. The A.I.D. input was $6.61 million, which totaled 61% of project costs with the remainder provided in counterpart funding from the PVOs.

A mid-term evaluation of Co-Fi I was completed in November of 1982 which concluded that it "has demonstrated the soundness of the co-financing approach and the ability of the PVOs to promote development among low-income groups." The evaluation recommended that a follow-on Co-Fi II project be developed, approved and implemented.

PVO Co-Financing II was authorized in February of 1984 for a five-year period. Annual obligations of about $2 million were planned for a total of $10 million over the life of the project. Seventy-eight percent of the project's funds were obligated during Fiscal Years 85 and 86. By 1986, there were 51 Philippine PVOs registered with the Mission and 24 US PVOs. During 1984-86, USAID made 38 grants (28 were made to Philippine PVOs and 10 were made to US PVOs). As of September of 1986, all of the initial $10 million authorized under Co-Fi II had been obligated. A total of $2,152,932 was provided in 1987 and the partial funding total reported for 1988 is $200,000. In 1987, US PVOs received $369,409 and IPVOs $1,783,523.

The USAID/VHP office funds three Philippine Intermediary Institutions (II's) which administer block grant funds to sub-grantees whose programs/projects are approved. Those three II organizations are:

- The Foundation for Educational Evolution and Development (FEED) provided financial and technical assistance to a minimum of 12 IPVOs serving poor communities outside of Metro Manila. Each of those IPVO sub-projects assists approximately 150 target beneficiary households. A.I.D provided US $449,769 and FEED contributed US $148,424. The project began in May of 1987 and will end in May of 1990.

o The Ramon Aboitiz Foundation, Inc. (RAFI) is an Intermediate Institution providing financial and technical assistance to a wide range of subprojects being undertaken by small local IPVOs in high poverty areas. A.I.D. provided US $500,000 and RAFI contributed US $172,732. The project began in July of 1987 and ends in June of 1990.

o The Philippine Business For Social Progress (PBSP) received funding as an Intermediate Institution to provide financial and technical assistance to 48 local IPVOs. Assuming each PVO can assist a minimum of 100 direct beneficiaries, the total number of poor people assisted will be 4800. That project began in August of 1986 and was completed in August of 1988.

As in Indonesia, the intention is to increase the size of the grants being made because it is a more managerially efficient means of maximizing the programmatic impact of a relatively small staff working within time and resource constraints. The current average grant size in the USAID/VHP Philippine program and management plans to is $250,000. The VHP office planned to hold a staff meeting following my visit at which time they would recommend doubling the average grant size.

Controversial ECD Funding Mechanism

The most controversial funding mechanism within USAID Philippines is the Enterprise in Community Development (ECD) Program. USAID/ECD matches the value of both cash and in-kind contributions from Philippine-based corporations (from P200,000 to P6,500,000) to fund the private sector's non-profit community development efforts.

These corporate community development initiatives may include, but not necessarily be limited to, the following:

o Income-generating projects such as micro-enterprises;

o Agriculture and aqua-culture projects which increase the productivity and incomes of farmers and fishermen;

o Irrigation and potable water projects;

o Health and community sanitation projects;

o Construction projects such as community health centers; and,

o Reforestation and projects to construct artificial reefs to preserve natural water resources.

The funding criteria are broadly described in terms of programs/projects which:

- o Encourage community participation in design, management and implementation;
- o Promote economic self-reliance through economic and social gains;
- o Programs/projects should be sustainable after funding ends and have a positive cost-benefit ratio; and,
- o Programs/projects should use environmentally sound ecological practices.

There is no grounds for argument with either the type of projects being funded nor the criteria being used to make funding decisions. The reason ECD is considered controversial by some critics inside the Mission is that it focuses on large and/or multi-national corporations. Critics claim this is not the proper focus for A.I.D. which prefers to fund non-government organizations of many types with mandates to promote socio-economic development for the poor. Some people see big business as "exploiters of the poor" who generally earn low wages and have few rights (property, collective bargaining, etc.) on corporate holdings such as sugarcane estates.

ECD is a new program initiative within USAID Philippines and appears to be unique in the history of the Agency. I discussed this with Mission staff people who freely admit there is a difference of opinion regarding the appropriateness of ECD, but feel that the level and intensity of criticism are decreasing. It is too early to make even preliminary estimates of cost-effectiveness or development impact. An evaluation in about two years would provide at least preliminary indicators of feasibility and viability.

One thing very much in the program's favor is that it has strong, capable and very goal-oriented management. Janet Smith is the ECD Project Coordinator and she has a strong personal commitment to making it succeed. She is optimistic about what she sees as an improving attitude among Mission people formerly strongly critical. This is an initiative which is certain to receive future study because it provides an excellent learning opportunity.

ISSUES AFFECTING INCREASED SCALE OF USAID IPVO FUNDING

There are two basic issues affecting the plans of both USAID/VHP offices to expand the number of registered IPVOs eligible to receive Agency funding and approving larger grants to be administered by intermediate IPVO organizations providing outreach to sub-grantees.

The first issue concerns the capability of these intermediate IPVO organizations to administratively absorb high levels of funding and provide adequate financial management oversight to ensure accountability.

The second issue related to increased scale concerns the ability to adequately monitor the program/project activities of a significantly expanded number of registered IPVOs.

Philippine IPVO Monitoring and Management

The IPVOs in the Philippines have been in operation much longer than their counterparts in Indonesia where this sector is comparatively new. Both USAID/VHP management and leaders of the IPVOs I interviewed were confident that intermediate organizations have sufficient financial management ability to absorb larger funding levels without difficulty. Everyone identified rapid expansion of programmatic scale as a potential risk. But no one felt they were managerially over-extended at present nor in the predictable short-term future.

When the Philippine Mission Director asked USAID/VHP if they needed additional staff, the response from management was that they are able to meet their current and projected workload without additional people. My own observation is that this staff is extremely competent, committed, productive and well regarded within the IPVO community.

Monitoring within the Philippine context appeared to be more problematical because geographical and financial constraints have produced additional pressures. Some of the factors responsible for these monitoring constraints include the following:

- The area has over 7,000 islands, covering some 115,700 square miles;

- The distance between the most southern and northern island is 1,150 miles;

- An estimated 55 million people inhabit those islands, 44% of whom are under 15 years of age;

o People living on these islands speak a total of 87 languages and dialects;

While in the Philippines, I visited IPVOs in the three most populated areas (Metro Manila 6,256,000 people, Davao City 653,000 and Cebu City 515,000) to get a sense of the monitoring capability of USAID assisted organizations. This was not my only focus, but I paid special attention to this aspect because it had been identified as a key concern especially in heavily populated areas with sophisticated IPVO programs/projects.

My interviews to determine Philippine IPVO monitoring capability focused on the following indicators:

o Could they provide in-depth profile data on their beneficiaries?

o Did they have good data on loan repayments, charge market interest to reduce the risk of decapitalizing the loan fund and some degree of follow-up data concerning: impact on borrowers?

o In small business programs/projects, did they have data on increased profitability of SSEs, employment created, marketing capability, etc?

o In health programs/projects, did they have good needs assessment data, profile information on how many people were treated for what illness, impact data on reduced malnutrition/disease, data on changes in hygiene/sanitation related behavior, etc.?

o In housing programs/projects, did they have good data on the people needing housing, infrastructural support systems, property values, costs of expanding standard models, rent paid to house payment ratio and ability to integrate community support services?

o In agricultural programs/projects, did they have monitoring data on comparative crop yields per hectare, ability to expand the number of crop cycles, the ratio between organic and chemical fertilizers & pesticides, crop diversification, processing and marketing?

o Could these organizations make better informed management decisions and demand projections based on the baseline information produced by their monitoring?

In all cases, the Philippine IPVOs were able to answer these questions satisfactorily and during field visits to programs/projects I had the opportunity to see the way monitoring data were collected and displayed for analysis. Time constraints prevented a more in-depth analysis of monitoring capability, but the information I received and the systems observed were sufficiently convincing to warrant an optimistic capability appraisal.

In both the Philippines and Indonesia, it is not realistic to expect a relatively small USAID/VHP staff coping with budget constraints to be able to effectively monitor an expanded IPVO program/project workload in widely separated areas. Intermediate IPVO organizations will have to provide reliable monitoring and improve the ability of smaller organizations to produce good cost, production and general impact data. USAID/VHP can feed those data into its central management information system to inform decision-making and facilitate reporting obligations. None of the IPVOs I interviewed expressed either reluctance or doubts about their capability to provide that function.

Indonesian Monitoring and Management

The same interview procedures were followed in Indonesia. However, since IPVO financial management and monitoring had been identified as problem areas in a recent evaluation I decided to also use a key informant interview approach. This required identifying an IPVO with the best available data and demonstrated competence in financial management and management.

The organization I selected was Yayasan Indonesia Sejahtera (YIS) which draws on its successful community development field experience to provide training to IPVO staff members in program/project planning, implementation and evaluation. Financial management and monitoring are priority training objectives (TBOs) for YIS. Every year YIS trains over 500 IPVO program managers, supervisors and field staff and provides related consulting services. It is necessary for YIS to have needs assessment data so that the training programs they design respond to the performance level and needs of IPVO trainees.

We (myself and two counterparts from USAID/VHP) interviewed the Director of YIS and a half-dozen trainers. They estimated that of the 21 IPVOs whose staff members they have trained, 15 of those organizations have adequate financial management skills to successfully administer block grants.

We asked the Director of YIS and his training staff members to assess the overall capacity of BINGOs (large NGOs). Their response was that 20% could be considered excellent, 60% adequate and 20% inadequate. Their assessment of the LINGOs (small NGOs) is that none are excellent financial managers, 50% are considered adequate and 50% inadequate. YIS representatives stressed that BINGOs and especially LINGOs have serious deficiencies in formulating long-term financial planning strategies and implementing coordinated planning. However, they challenged a recent evaluation which concluded that Indonesian IPVOs lack adequate financial management skills to adequately administer USAID block grants to sub-grantees. The basic thrust of that evaluation was that only USPVOs in Indonesia (The Asia Foundation, CARE, CRS, Save The Children) had the desired level of financial management skills to properly administer sub-grants.

We also asked the YIS representatives to assess the monitoring capability of Indonesian IPVOs because this would be necessary to supplement the monitoring outreach of the USAID/VHP staff. Their estimate is that 60% of the BINGOs and 30% of the LINGOs can perform this function adequately. They felt that these IPVOs could produce acceptable baseline data to feed into USAID's central management information system.

USPVOs in Indonesia also have established monitoring and financial management capabilities. However, the central question is not USPVO expertise but whether IPVOs have sufficient financial management ability to assume greater responsibilities in the administration of block grants. The underlying assumption is that the objective of increasing and enhancing the effectiveness and sustainability of indigenous development organizations is better served by expanding their resource transfer and monitoring role. They do not have to be as good as the USPVOs. They only need to have adequate financial management capabilities so that accountability concerns are satisfied and be willing and able to monitor effectively.

The conclusion we reached following interviews, program/project field visits and discussions with informed individuals is that Indonesia's IPVOs have sufficient core skills in financial management and monitoring to take a leadership role in administration of USAID block grants.

During these interviews we were told that Indonesian IPVOs appreciate the historical contribution of USPVOs, and have a need for specific types of self-defined collaboration. But they are not willing to accept infringement on their autonomy.

Discussions on what IPVOs mean by autonomy reveal that it is seen as an incremental process toward self-sufficiency and sustainability. They stress that their autonomy is not negotiable.

There is some cultural resistance to accepting a "leadership" role. Also, some concern about too high a level of visibility increasing the risk of reprisals from authority figures who may feel that their ability to exert control is somehow threatened. But both of these concerns appear to be manageable and do not constitute a rationale for not giving IPVOs increasing incremental control over the administration of USAID funding for their sector.

These IPVOs are experts at dealing with GOI in a productive and non-threatening way which will neutralize their potential concerns. The cultural reluctance of IPVOs to "appear to be putting themselves forward" by taking a leadership role will be overcome by the off-setting gains of having Indonesians rather than foreigners shape and service their own sector. The desire for increased self-determination is a powerful motivator.

CONTEXTUAL ISSUES AFFECTING IPVOs

The following is a brief discussion of factors which are useful in comparing and contrasting the USAID/IPVO "playing fields" in the Philippines and Indonesia. Both countries are archipelagos; they are relatively close to each other and have established channels of communication. However, there are significant contextual differences which have caused USAID to adopt a variety of tactics within a shared strategy of stimulating human and organizational resource development.

Socio-cultural and political dynamics in Indonesia conform to values/norms described by the terms "rukun" and "musyawarah." This loosely translates as conflict avoidance and the preservation of societal harmony by a process of seeking consensus through dialogue. This takes place within a vertical authority structure in which deference to rank and its attendant status shapes every interaction.

Direct confrontation and/or criticism of "superiors" is not tolerated in family, business nor government interactions. This is so ingrained in Indonesia's cultural fabric that conflictive dynamics are dismissed as rude or impolite. Deference to authority expresses itself within this value framework of conflict avoidance. Therefore, word choice and tone of voice are important considerations and communication on difficult subjects across authority or status barriers becomes an art form requiring the highest levels of cultural sensitivity.

The consensus among IPVOs is that policy dialogue with the government should best be done by Indonesians capable of establishing and maintaining the fine line between GOI cooperation and the risk of co-optation.

Defining the cultural norms governing the "playing field" in the Philippines is more difficult because it appears to be more pluralistic and consensus is illusive. The Philippines shares with Indonesia an avoidance of critical confrontation in favor of a more "polite" form of indirect social commentary. However, the cultural expression blends Spanish and Asian cultural expressions tempered to some degree by a love/hate exposure to the blunt expression style favored by Americans.

In both places, the military, police and other authority figures are powerful and must be dealt with in a sensitive "face-saving" manner. The difference in cultural expression and conditioning appears to be more a function of style than substance.

Comparative Cost of 'Ex-Pats' vs. Local Hires

In the Philippines the estimated cost of funding one expatriate to provide technical assistance is US $100,000 per year. In Indonesia the estimate is virtually the same. (These estimates include the complete package of required expenses rather than salary alone.) In both countries, there is an adequate supply of skilled, dedicated and experienced leaders and staff members of private voluntary organizations available for a small fraction of that cost. The IPVO salary range in both countries is between $150 and $250 a month with only a handful of leaders earning about $1,000 per month. This cost disparity is even more dramatic when conceptualized in terms of what could be accomplished with the potential program funds saved by selecting local hires. This explains why, except in cases of highly specialized priority skill areas, USAID and IPVOs in those countries are biased in favor of local hires.

Christians and Muslims

The vast majority of the Philippine population are Christians while the inverse proportion exists in Indonesia. In both countries, the ratio is approximately 90% to 10% (Philipines: 83% Catholic, 5% Muslim). In both countries, USAID is making a concerted effort to fund Muslim NGO activities. In the Philippines, the Muslims are correctly perceived to be a minority group subjected to socio-economic discrimination. USAID has lowered its registration requirement of IPVO net assets to 50,000 pesos (approximately 2,500 US dollars) in this country, in an effort to have a workable affirmative action program and register some Muslim IPVOs, responding in this way to the traditional disparity. USAID Indonesia is making similar efforts to recruit Muslim IPVOs.

GOVERNMENT ATTITUDES TOWARD IPVOs

Both the Philippines and Indonesian governments share a concern that some foreign funders have "political" agendas. The accusation is that they are funding resistance movements (NPA) or encouraging dissident groups to express discontent with policies and/or procedures. USAID is not considered in this way by either government, but the potential risk for a nondiscriminatory backlash phenomenon exists.

Another perception of IPVOs shared to varying degrees by both governments is that their established area of competence is in charity or welfare-type programs rather than as partners in the national development.

The Philippines has a long history of humanitarian activities which can, in part, be traced to Spanish and American historical influences. In Indonesia, the Dutch did not promote a concept of private sector humanitarianism and so the IPVO movement is a comparatively recent phenomenon with shallow historical roots.

The President of Indonesia recognized the presence and legitimate development role of LPSM/LSMs in his recent Independence Speech and the Aquino government has made similar statements. However, this is largely a post-Marcos political phenomenon despite the fact that Philippine IPVOs have a comparatively long history and well established track record.

The Philippine Government's Attitude IPVOs

There is a long tradition of non-government organizational activities in the Philippines and a very high level of government acceptance and endorsement under the Aquino government. Both the quantity and the quality of IPVO/GOP cooperation and dialogue are significantly higher during the present government than during the previous Marcos regime. The prevailing attitude during those years was that anyone outside the ruling party who worked on behalf of poor people was either a supporter of the opposition or a communist.

That attitude can still be found among some conservative factions in the Philippines. However, many representatives and supporters of the IPVO sector have recently been "on the barricades" demonstrating in favor of the Aquino government. Some representatives of the IPVO sector voice concern about the

vulnerability of the Aquino government to politically inspired pressures. However, at present there is a feeling that the IPVO sector and GOP share a social vision and agenda for change.

However, GOP does exercise an oversight function regarding IPVOs. All Philippine IPVOs must be registered with GOP's Securities and Exchange Commission before they are eligible for USAID funding. The GOP Bureau of Internal Revenue (BIR) must also check the IPVOs books and certify that it is actually a non-profit organization rather than making that claim to avoid taxation. These two GOP certification procedures are considered standard operating procedure and do not present problems for USAID/IPVO cooperation.

GOP's major IPVO oversight function is conducted by the National Economic Development Authority (NEDA) which must accredit all non-government organizations operating in the country. The consensus is that NEDA functions to "screen out" any IPVOs perceived by GOP to have a "subversive" overt or hidden agenda. NEDA's decision to deny accreditation does not require a legal burden of proof or convincing evidence to be binding. It has the mandate to serve an oversight and control function and sufficient power to follow through on its judgments.

At the present time, NEDA is up-dating its list of accredited IPVOs which could be a routine function or signal the beginning of more rigid controls. It is too early to speculate on what direction this will take. Whatever revisions NEDA makes in its list of accredited IPVOs during this reappraisal process will provide the best short-term indicator of the affect this will have on non-government organizations.

IPVOs expressed guarded concern about strong central GOP controls, but are taking a wait-and-see attitude at present. The relationship between USAID and the IPVOs is not affected by NEDA's regulatory function. USAID is only required to advise NEDA of any IPVO program/project funding up to US $100,000. This is a very important prerogative which gives USAID essential programmatic flexibility and must be safeguarded in the future to ensure continued autonomy.

The Indonesia Government's Attitude toward IPVOs

In Indonesia, the risk of GOI perceiving the IPVO sector as a real or potential threat to national security is a clear and present danger which is currently being coped with effectively.

The continued ability to cope with this highly sensitive situation is essential if the IPVO sector is to remain viable.

The sensitivity of this situation is illustrated by the political significance placed on descriptive terminology which is considered neutral and non-threatening in other political environments. In the early 1970s, the term "non-government organizations" or NGOs became accepted as a general synonym for "private voluntary organizations" or PVOs. The earlier distinction concerning programs using volunteers was blurred and the sector was defined as being separate and distinct from government development programs and organizations.

However, in the early 1980's within Indonesia, NGO became a politically sensitive label because GOI interpreted non-government to have an anti-government connotation. The interpretation was that community-based organizations disapproved of government programs and constituted an expression of this critical stance.

Therefore, an alternative terminology was coined in Indonesia to replace the NGO connotation which was perceived by GOI as critical therefore somewhat confrontational and threatening. This type of real or perceived stance toward GOI is not tolerated within the Indonesian political culture.

Indonesian NGOs are now know as "Lembaga Pengembangan Swadaya Masyarakat" (Promoter Organization of Community Self-Reliance), LPSMs; or "Lembaga Swadaya Masyarakat" (Community Self- Reliance Organization), LSMs. The functional difference is that LPSMs are primarily engaged in intermediation roles with GOI and LSMs concentrate their efforts on grass-roots project implementation. Additional terminology was later attached to this LPSM/LSM dichotomy. The LPSMs are larger NGOs so they are referred to as BINGOs (Big NGOs) and the LSMs are smaller and referred to as LINGOs (Little NGOs). The term GONGOs was coined to denote organizations formed by GOI to perform quasi-governmental functions (wives of civil servants, GOI sanctioned press associations, etc.)

The GOI has recently enacted the ORMAS (Mass Organizations Law) which gives the government full authority to take over and/or close down any organization which threatens to upset domestic security. This potential threat need only be perceived by GOI and does not require compelling evidence or proof in a legal sense. Within the US experience, this can loosely be compared to conspiracy law or the earlier machinations of the

House Un-American Activities Committee (HUAC) hearings. Other GOI laws exist to prevent assemblages or activities which may be considered politically threatening and/or objectionable.

Another manifestation of GOI oversight and potential control of the IPVO sector is their recent use of informal mechanisms to control UNDP funding. This assistance to LSPMs and LSMs must now be channeled through a government controlled foundation. Similar actions could be taken to control or influence other sources of foreign funds.

IPVO Government Relations Strategies

The preceding background information on cultural similarities and differences in the Philippines and Indonesia is necessary to understand the reasons why IPVOs have developed their sophisticated range of coping mechanisms. In neither country do IPVOs have the option of choosing not to cooperate with the government or functioning in a completely autonomous manner. Also, in neither country do IPVOs conceptualize their role as pressuring the government to allocate its scarce resources to their constituency in response to some stated or implied political ultimatum. They do not control blocks of constituent votes and negotiate with competing politicians who respond to political pressures as in the Alinski approach which stresses community bargaining power.

In both countries, IPVOs share a "bottom up" approach to negotiating with government which focuses on the lowest level of official government structure closest to their constituency and its problems. In Indonesia, some IPVOs work through "Bappedas" (provincial planning bodies) and the headman structure at the village level. In the Philippines, the IPVOs work through the "Barangay Captain" system, which is a provincial village or community political decentralization structure somewhat similar to wards in the U.S.

Politicians in both countries have been reluctant to alter the traditional tendency toward strong central control by delegating either authority or resources within a strategy of decentralization. In the case of Indonesia, drastic reductions in revenue resulting from the oil crisis initiated and has so far sustained the move toward decentralization. In the Philippines, decentralized political structures reportedly functioned as "the eyes and ears of the Marcos regime" and their function has been "democratized" during the Aquino government. In both cases, a traditionally strong central government apparatus is responding to externally induced pressures requiring adaptation.

IPVOs in both the Philippines and Indonesia deal with government in a manner which could be described as personalistic and persuasive rather than argumentative and confrontational. I discussed the "up close and personal" style used by IPVOs in dealing with government with NGO leaders in both countries who provided interesting insights.

One IPVO leader stressed the absolute necessity of having personal contact within the government. He said that understanding the Indonesian "playing field" requires highly placed GOI sources to provide reliable information on what kinds of actions are considered "out of bounds". What makes this more difficult is that boundary lines continuously change without warning and there are infractions after which the potential for recovery ranges from highly improbable to impossible. Philippine IPVO leaders also felt that a thorough knowledge of what constitutes "out of bounds" on their playing field is equally important. However, in both countries, the success of day-to-day program/project implementation reportedly depends on the quality of rapport achieved with lower-level political representatives.

Sony Chin, Administrator of the Development of Peoples Foundation in the Philippines, described her style of relating to Barangay-level political leadership as a "management by strokes" approach. Her organization has an extremely effective corps of volunteer community workers whose relationship with local government is one of supportive inter-action. This successful IPVO/GOP approach to provincial-level liaison has the following components:

- It works within a shared community development action agenda which the Barangay leadership and GOP endorse;

- The style and substance of all interaction are personally and programmatically supportive rather than being critical or confrontational in their content and intent;

- The organization has personal knowledge of the people in the community and does an outstanding job of monitoring and follow-up;

- When direct access to the Barangay political leadership is not available for whatever reason, the community organization achieves influence and persuasion by working through wives or friends;

o The community organization wants results, not praise or flattering publicity. Therefore, it encourages local politicians to take credit for its accomplishments because this improves the quality of their influence and facilitates future collaboration;

o The community organization encourages people in near-by Barangays to visit their programs/projects because the demonstration effect encourages replication; and,

o Peer pressure is used to obtain compliance with community action agendas requiring voluntary labor or changes in attitudes and/or behavior. When this is insufficient, influence with Barangay level political leadership is used and noncompliance results in fines.

IPVO leaders in both countries stress the need to keep the government officials with whom they work well informed about what they are doing. They explain that the greatest fear of these officials is that any of their many superiors will ask them a question about program/project activities which they cannot answer. There is considerable anxiety surrounding the possibility of losing face in this way and government officials require continuous reassurance that this will not happen to them. That reaction is common to all bureaucracies but is also culturally reinforced in this case.

IPVO leaders in both countries also share a government liaison approach which could be described as persuasion through the presentation of supportive evidence. Local politicians are shown that an alternative approach works better because it has proven to be more cost-effective and sustainable. They also must be shown that this approach is free from political liability and that they will receive credit for its success.

THE CHALLENGE OF IPVO PERFORMANCE CAPABILITIES

A long-term problem in the NGO/PVO community is the lack of comparative data on relative organizational, sectoral and/or thematic cost-effective performance capabilities. Which NGO/PVO can be shown to be more, or less, competent in successfully completing a given range of development program/project objectives than another? Although I have spent many years working in development offices with learning and/or evaluation mandates, I know of no comparative application of standardized PVO performance criteria.

Donors have repeatedly funded LDC implementing organizations with a history of inadequately fulfilling performance objectives needed for program/project success. There is also no shortage of cases where the same donor repeatedly funds implementing organizations with a consistent track record of under achievement, provided only that they have not been proved guilty of misappropriating allocated monies.

My report is the result of a rapid and admittedly impressionistic interview assessment of IPVO capabilities rather than an evaluation based on hard data (comparative cost-effective service delivery or impact assessments). That kind of evaluation should be done by a team of U.S. and host-country experienced professionals given sufficient time and resources. That approach could provide hard data to support an IPVO/USPVO comparative performance assessment. However, that was not my mandate nor is it required at this time for USPVOs to begin rethinking the changing nature of their relationship with IPVOs in these countries.

I anticipate that USPVOs with high levels of professionalism and commitment will react positively, realistically reappraising ways to best collaborate with IPVOs which now have a comparative advantage in some performance capabilities. However, there will be an understandable reluctance to accept this alleged capability gap. I suggest that USPOVs consider the following categories of IPVO performance capability reported and/or observed during my interviews in Indonesia and the Philippines. In the interest of objectivity, reduce all of these claims by 50% and realistically assess the relative capability of USPVOs to equal these accomplishments:

- A sustained track record of multi-million dollar (US$) annual exports of IPVO generated agricultural and manufactured goods throughout this decade and in some cases longer;

o An IPVO capable of covering its operating expenses with internally generated revenue, without government funding or subsidy;

o IPVOs which produce multi-color professional magazines on development related issues which are sold on local newsstands and recover the vast majority of their recurrent costs from sales revenues;

o IPVOs which have studied the development experience of Indonesia and other LDCs and produced textbooks which are used in local universities where they are well received and seen as filling a learning gap;

o An IPVO which has a metalworking shop and sufficient engineering expertise to analyze the production problems of local manufacturers and design innovative technical equipment to solve them at a profit;

o IPVOs which have trained cadres of unpaid community volunteers to collect and continuously update relevant monitoring data on health, irrigation and small business programs/projects sufficient to make informed management decisions;

o An IPVO which has the capability of getting this type of reliable monitoring data from community volunteers and computerizing it so that sophisticated spread sheet program/project data are rapidly available for report writing, management decisions and learning. All of this work is done by one salaried worker in the headquarters office and is highly cost-effective;

o IPVOs which gather and present ecological/environmental impact data individually and in functional networks, data which have repeatedly been presented to the government and convinced them to reform policies and procedures. This is done in a country where IPVOs perceived as being critical or inappropriately pressuring for change can be disbanded immediately without effective recourse to appeal processes;

o IPVOs which have organized water users' associations comprised of poor people which effectively manage O&M responsibilities and distribute water equitably and effectively using peer pressure mechanisms. All of the recurrent costs are paid by membership fees with a sustained record of 100% payment despite economic setbacks;

o IPVOs operating demonstration farms which double yields per crop and double and triple the number of crops grown per year along with successful crop diversification, marketing and technology adaptation program components; and,

o IPVOs working in areas of chronic poverty which have created and sustained income and employment generation activities which claim to be able to achieve highly significant training-cost recovery.

Those are examples of IPVO accomplishments on programs/ projects which I visited in Indonesia and the Philippines. Similar IPVO accomplishments exist to varying degrees in both places. Make whatever reductions in IPVO performance capability compensate for exaggeration on their part and/or misperceptions attributable to our interviews and on-site observations. It appears reasonable to assume that a realistic reappraisal of comparative performance capabilities will strongly indicate the need to begin serious dialogue on restructuring IPVO/USPVO collaboration. It would be far more persuasive and productive to do this in a shared workshop dynamic where the commitment, competence and veracity of these IPVO spokespersons could be communicated more effectively. That would be a worthwhile funding objective for one or more donor organizations to consider implementing on a regular basis with competent reporting and dissemination of the results in all appropriate languages.

This report mentions examples of the over two dozen types of technical assistance IPVOs now provide in their respective countries. Another report* available from A.I.D. details IPVO answers to key questions about their perception and assessment of USPVOs, potential for attaining T.A. and financial self-sufficiency, participatory management styles, relationships with host country governments, etc.

IPVO/USPVO Relations

This section is designed to provide some points of reference for an understanding of the relationship between IPVOs in both the Philippines and Indonesia, and USPVOs. What follows is an attempt to describe results of interviews of IPVO and USPVO staff members, program/project site visits and interviews with other well-informed people. During the interviews, we double-checked responses by asking for specific examples and/or evidence to support the response. This was done to off-set the possible affects of a cultural predisposition to avoid making negative

* The evaluation mentioned is entitled "Evaluation of the PVO Co-Financing II Project" (497-0336). The first Project Agreement was signed on September 30, 1981. The evaluation was contracted to Development Associates International and the Indonesia Team was headed by Russell Betts.

responses or voice criticism. Competent local counterparts with local language capability checked to make sure the question and its implications were understood.

One of the questions we asked was whether IPVOs having a relationship with USPVOs had been helped, hurt, or both, by that interaction. The response was totally favorable. The IPVOs all felt that the relationship had helped them enhance their institutional capability without unwanted imposition of U.S. values or conditionalities. No organization felt that the relationship had been harmful, nor did they report a mixed experience tempered by some negative trade-offs. An interview climate was created in which such criticisms could have been offered without the disapproval which might have colored their response by signaling that only positive answers were being sought. Although I am skeptical by reason of personality, training and life experience, I came away convinced that the absence of IPVO animosity toward USPVOs is genuine and pervasive.

That is clearly good news from a USPVO perspective. The rest of the IPVO message should also be considered good news by USPVOs whose stated purpose has been to "work themselves out of a job in LDCs". At least in Indonesia and the Philippines, that objective appears to have been realized.

It is clear that IPVOs feel they have benefited from their relationship with USPVOs. But it is unequivocally clear that the level of IPVO development competence equals and generally exceeds that of their USPVO colleagues. These IPVOs have a very positive organizational self-image which flows directly from their track record of sustainable successes and ability to cope with frustrating constraints. They neither defer to nor feel dependent on USPVOs to continue their process of cost-effective service delivery and innovative community problem-solving.

Historically, USPVOs have had or been perceived as having a comparative advantage over IPVOs in relative institutional capability, cost-effective service delivery and the ability to accomplish their targeted performance and impact objectives. Based on IPVO interviews and on-site observations, my impression is that this comparative advantage has shifted dramatically. The previous client-recipient or student-to-teacher relationship has been reversed but the relationship between IPVOs and USPVOs remains positive and constructive.

There is a great deal that IPVOs in these countries are willing and able to teach USPVOs and they still have some needs for specialized, sophisticated types of short-term technical

assistance which USPVOs can provide. The IPVOs also said that they would welcome assistance from USPVOs in providing export market outlets for goods produced by and through LDC programs/projects. The IPVOs also suggested that the USPVOs could and should be instrumental in providing development education to U.S. and other "first world" audiences regarding the effects of their policies on LDCs. However, the clear message from IPVOs to USPVOs is that with very few exceptions they are capable of meeting their own T.A., training, financial management and program administration needs. They are sending this message in a friendly yet firm manner. They anticipate that it will be received constructively by USPVOs who see the need and advantages of restructuring the terms of their on-going dialogue and future collaborative interactions.

What IPVOs Want from USPVOs

A structured framework for on-going USPVO/IPVO dialogue is needed so that each can respond to rapidly changing contextual conditions, resource availabilities and changes in organizational capabilities. However, our interviews with IPVOs reveal that they generally need and want the following kinds of help from USPVOs only on condition that their autonomy is not compromised:

- o Specific types of technical expertise to be defined by the IPVOs as the need/demand surfaces in their countries;

- o IPVO export-led programs/projects for income and employment generation would benefit from profitable linkages with USPVO marketing research and outlets;

- o Collaborative production cost-efficient, high quality multi- media development materials for specific types of training, classroom teaching, and public education campaigns;

- o Staff exchanges and on-site studies done in a way which provides valuable human resources to both IPVOs and USPVOs. Don't impose on over-extended management by requiring disproportionate amounts of "hand-holding" within a framework of "development tourism";

- o Establishment of workshops with a specific action agenda to share learning experiences and data to creatively structure realistic collaborative program strategies; and,

- o Active collaboration in implementing advocacy and education campaigns regarding worldwide ecological roles and responsibilities as they relate to alternative approaches to development objectives.

RECOMMENDATIONS

To A.I.D. about the Importance of IPVO Programs

o USAID's accomplishments assisting IPVOs in the Philippines and Indonesia using the co-financing mechanism are very significant. But the importance of the experience does not appear to be well understood throughout the Agency or the development community. A learning and dissemination effort is needed.

1.) The Agency should fully utilize its internal training facilities such as the Development Studies Program, Middle and Upper Management training courses and the IDI Program to enhance understanding.

2.) The information dissemination facilities of A.I.D./CDIE should brief the Missions about the cost-effectiveness of using this approach to off-set budget and staff constraints restricting service-delivery to hard-to-reach IPVOs.

3.) The Agency should sponsor a series of LDC regional workshops for representatives of area USAID Missions and key IPVO representatives to discuss how Co-Fi could best be replicated, offer recommendations and share lessons learned. Where appropriate, these sessions could be video taped, edited to less than one hour and used in training programs.

4.) Sponsor a similar conference for USPVOs focusing on recommendations of ways in which future collaboration could be make more cost-effective and mutually beneficial. Similar recommendations should be made to A.I.D. Informative highlights from this meeting should also be taped and disseminated.

5.) These conferences should also identify needs for practically applicable research on shared A.I.D./IPVO issues such as strategic uses for PL-480 generated blocked currencies, increased involvement of the private sector, USPVO marketing capacity for exported IPVO products, etc. A.I.D. should not grant funds for academic research in this area which does not meet pragmatic selection criteria.

6.) An A.I.D. package/presentation on the benefits of Co-Fi development of the IPVO sector should be prepared for LDC

governments which speaks directly to the trade-offs of this type of decentralization strategy. The focus should be management information presented to better inform decision-makers rather than Agency promotion or public relations.

o Adjust the reward system within the Agency so that competent people committed to enhancing the capability of IPVOs to promote participatory problem-solving at the local levels are fully supported, compensated and promoted where conspicuously successful.

1.) Give the USAID managers assisting IPVOs the human, material and financial resources they need to respond adequately to the demands of this dynamic sector.

2.) IPVOs should be a priority budgetary concern reflecting the importance which A.I.D. places on institutional development, sustainable local programs, "democratization" of decision-making, decentralization, cost-effective health/T.A. service delivery, private sector involvement and similar Agency objectives.

3.) Making Co-Fi IPVO funding a top Agency priority makes the program less susceptible to the possible loss of momentum or diminished levels of support which could result if a new Mission Director views the program as supplemental rather than essential.

4.) Managers of successful USAID/IPVO programs should have significant influence over the selection of whoever takes their place when they are reassigned. This would safeguard the continuity of the IPVO program and facilitate the transfer of compatible management personnel.

o The Agency should highlight the cost-effective impact of Co-Fi IPVO program in its Congressional Presentation and periodic testimony because its successes will help build a constituency for foreign assistance. Presently, what is being promoted are Agency programs such as ORT and SSE. There is a need for other demonstrable successes.

o Despite the success of the Philippine and Indonesian USAID/IPVO programs, consider them as valuable learning laboratories rather than models to be packaged for export to other Missions. Respect for the diversity of cultural, political and IPVO organizational development is essential if other USAID Co-Fi initiatives are to be free to grow at their own pace, style and direction.

o The USAID Enterprise in Community Development (ECD) in the Philippines is unique in the Agency's efforts to actively involve private sector corporations in promoting development objectives. ECD is controversial and some may feel its focus is inappropriate. The program needs a competent thoughtful evaluation, but this should not be done prematurely. Give ECD another two years in which to demonstrate preliminary indicators of its viability and appropriateness. Nothing will be gained by rushing an evaluation and much may be lost.

To USAID Missions with IPVO Programs

o Maximize the creativity and flexibility of your IPVO program implementation approaches and experiment with untried and/or untested methods where the trade-offs and learning opportunities appear to be attractive.

1.) Encourage more IPVOs with established track-records to act as sponsors for newer, less known, smaller IPVOs whom they recommend to be registered with USAID and thereby qualify for funding. Adjust your selection criteria to accommodate this process.

2.) Build in a reward system for larger, more established IPVOs who sponsor new recruits which are found to be reliable and productive after they are registered. Study trips to visit IPVOs outside the country is one reward which they value and may motivate active compliance.

3.) The Missions should have the authority to dissuade A.I.D. from funding GOP and/or GOI policy dialogue or research initiatives which could potentially damage USAID/IPVO collaboration. This relationship is far too delicate to be exposed to well-meaning people without sufficient cultural sensitivity regarding the tolerable limits of permissible changes and required protocol.

4.) Streamline all IPVO required monitoring, reporting and registration forms, keeping information to the minimum required for responsible decision-making. Provide English language instruction to those people in IPVOs responsible for filling out these forms to speed up the process. Those interviewed expressed a strong desire to learn English and did not consider it a bureaucratic imposition.

5.) Allow IPVOS to re-program up to 25% of their budget line items without requiring burdensome paperwork which is resisted and resented. This will enhance IPVO flexibility, improve relations and provide more time for compliance with required fiscal accountability reporting obligations.

6.) Consider establishing less demanding registration, funding and reporting criteria and procedures for beneficiary target groups perceived as having been discriminated against, exploited or neglected due to isolation or cultural insulation.

o There is a need to disaggregate types of IPVOs and their program/ project activities so that funding, monitoring, evaluation and learning can more accurately respond to their programmatic focus, intended impacts and organizational purpose. Grouping IPVOs in the following five categories could help USAID management information systems become more responsive and more tightly focused:

1.) IPVO income-generation or job creation programs/projects which may or may not include credit or training components.

2.) IPVOs which use community development programs/projects as a point of entry to mobilize and organize poor people by involving them in local problem-solving. These programs/projects need to be viewed as initiatives within a larger process of participatory self-realization rather than as an isolated, self-contained activity.

3.) IPVOs whose programs/projects are part of a strategy to improve the capability of local organizations to implement a sustainable "people's technology" appropriate to their needs, skill levels and resource availabilities.

4.) IPVOs whose programs/projects have advocacy objectives focused on promoting changes in policies, programs, procedures or priorities seen as harmful to the ecology or diminishing the quality of life in some way.

5.) IPVOs whose programs/projects focus on awareness-building by using a wide range of media and combinations of development education techniques designed to increase public understanding and receptivity to changing attitudes and behavior.

o There is a need to cooperate with IPVOs in the conceptualization and utilization of process indicators for program/project monitoring and evaluation so that gains not easily quantifiable in traditional terms are not overlooked or denigrated. Such process indicators are often essential to program/process relevance and/or sustainability. They could include:

1.) IPVOs which make considerable effort to reach exceptionally disadvantaged groups in isolated areas, locations where personal security is endangered or especially resistant to cooperation.

2.) IPVO programs which generate second-level or spin-off projects to provide similar assistance to self-selected beneficiary groups or neighboring communities acting on their own initiative.

3.) IPVO programs whose beneficiaries accept financial responsibilities such as collecting fees for services, establish sliding fee scales, generating funds to cover recurrent costs, establishing emergency funds, and/or mobilizing savings with minimal or no external supervision.

4.) IPVOs which assess their programmatic strengths, resource availabilities and skill needs to determine the kind(s) of collaboration necessary to fulfill overly demanding performance requirements, then get the help they need.

5.) IPVOs whose leaders delegate responsibilities, share decision-making about resource allocation priorities, and encourage the autonomy and flexibility of decentralized program/project administrators.

To USPVOs about Restructuring IPVO Collaboration

o Many Philippine and Indonesian IPVOs have achieved sufficient competence and self-reliance so that traditional patron/client style one-way USPVO resource flows are no longer required or desired. IPVOs still have a need and desire for collaboration with USPVOs. But the terms need to be mutually reviewed and revised within the context of high levels of IPVO autonomy, and their impressive technical competence.

1.) There should be a specific needs assessment and skill (types and levels) inventory between USPVOs and IPVOs in the Philippines and Indonesia before significant dialogue can be arranged. Clarification of specific needs and resources in order to get an accurate fix on the shared learning agenda is a prerequisite.

2.) USPVOs should not anticipate any resentments on the part of IPVOs which would prevent or constrain an informed, practical dialogue to shape an exchange of development experience and learning. Their receptivity is based on appreciation for the assistance offered by USPVOs in the past.

3.) There are some issues such as the very large disparity in pay scales between US technical assistance personnel and local people in IPVOs with the same or greater expertise. Expats cost $100,000 US a year while only a handful of IPVO leaders earn $1000 a month. The average IPVO earning scale is from $150 to $250 a month. It would be reasonable to expect this type of income disparity to trigger resentments about what is perceived as prejudice against using cheaper, competent and more socio-politically adept local hires. This and any other potentially disruptive issues should be initially discussed by the USPVOs because IPVOs leaders feel culturally restrained from initiating seemingly critical or conflictive dialogue.

4.) USPVOs should sponsor workshops in the Philippines and Indonesia where information exchanges and learning can be done on-site rather than asking for written information which IPVOs don't have time to produce. When IPVOs visit the U.S., they should be shown a wide range of community development programs for similar on-site learning rather than attending meetings in hotels, offices and conference facilities. Most USPVOs have their primary programmatic focus overseas, so contacts with U.S. field staff project people need to be made or enhanced. Both groups should submit their learning agendas so that workshops can meet shared priority needs.

5.) USPVOs should pay special attention to IPVO income-generation, cost-recovery, for-profit subsidiary revenue operations and ways of involving private sector people as active contributors.

6.) USPVOs should do market research analysis to determine what kind(s) of IPVO products have profitable export market potential in the U.S. and whether some USPVOs could provide a mutually beneficial marketing service. That is a priority need many IPVOs have identified.

7.) USPVOs should also pay special attention to the accomplishments some IPVOs have make in producing and selling prototypes developed through their appropriate technology research and development facilities. These new products are produced in response to specific requests from LDC manufacturers whose machinery needs modification or redesign.

8.) Do not be defensive if IPVOs are more competent in some areas of development work. This should not be seen as a contest. The need to restructure collaboration is also neither an explicit nor implicit accusation that your relationship with IPVOs is paternalistic or patronizing. This dialogue about changing patterns and priorities of collaboration is the anticipatable result of efforts of USPVOs which have been sincerely "trying to work themselves out of a job" for many years. There is still a job to be done but its nature has changed as a result of the progress that has been made.

To IPVOs about Their Leadership Role in the Sector

o There is much that you have to be proud of and much that remains to be done. USAID has demonstrated its steadily increasing faith in the abilities of established IPVOs to manage increased levels of funding, maintain a harmonious working relationship with your governments and implement programs/projects effectively. Your governments are overcoming their initial reluctance to acknowledge IPVOs as an emerging sector implementing shared development priorities rather than charity or welfare organizations not entitled to professional recognition. However, I recommend focusing continuous attention on sectoral recognition and growth needs:

1.) My field interviews with IPVOs left me convinced that many of you possess sufficient financial management abilities (bookkeeping and report writing) to properly

administer USAID block grants to smaller, newer, developing IPVOs. Your future growth as an autonomous indigenous PVO sector depends largely on your ability to accept that role and responsibility.

2.) During our discussions some of you expressed a culturally based reluctance to be seen as "putting yourself forward" by your colleagues within the IPVO development community. There is much to commend an attitude based on humility and preserving harmony. I do not recommend adopting a Western cultural predisposition toward confrontation and individualistic competition. However, your desire for increased autonomy and respect as an IPVO sector enhancing a more participatory approach to development requires the emergence of sectoral leadership. Accepting greater financial management responsibilities rather than deferring this role to others is essential if you are to exert more control over the terms of collaboration.

3.) There are many USPVOs which could and should benefit from some of the hard-learned lessons resulting from both - your impressive accomplishments as well as your discouraging experiences. Those receiving advice tend to be sensitive to implied or implicit criticism even if that was not intended. Apply the lessons you have learned from dealing with the insensitivity of others in your dialogue with USPVOs as you mutually reshape the style and content of your continued collaboration.

4.) There have been some initial meetings of IPVOs to draft documents making suggestions to USAID about streamlining policies and procedures within the context of improved collaboration. These are very important to the entire development community and should be shared whenever you feel ready and willing to do so.

5.) Open a frank (subtleties are too often misinterpreted) and on-going dialogue with USPVOs either directly or through their representative organizations. Once you are sure the message has been understood, evaluate the response according to your own standards once the possibility of miscommunication has been minimized within reasonable levels. Many prior efforts at intercultural dialogue concentrated more on politeness than on expressing dissatisfaction and the felt need for change.

CONCLUSIONS

Collaboration Strategies and IPVO Sectoral Importance

o Co-Fi is a creative and flexible USAID development management initiative which has shown itself to be a cost-effective means of assisting IPVOs to build local organizational capabilities.

o The success of Co-Fi within A.I.D. is due in very significant measure to the commitment and competence of current and recent USAID management and staff people involved in implementing the IPVO program.

o The Co-Fi IPVO program is successful in both USAID Missions. However, it needs to be better understood, promoted, supported and rewarded in terms of career gains within A.I.D. Otherwise continuity and replication of the program will depend on potentially capricious personal preferences of changing administrators and USAID personnel rather than making it an enduring Agency priority.

o Larger numbers of IPVOs have the financial management capability to successfully implement block grant and/or Co-Fi requirements. The approach by USAID of placing increased confidence in the IPVO sector's ability to handle larger grants is commendable from both a management and local organization-building perspective.

o Governments with long histories of strong central control are reluctant to decentralize for fear of diminishing their authority and concerns about present and potential subversive influences. Their trust relationship with IPVOs is steadily improving. But this will continue to be a fragile and highly sensitive interaction, making sustainability somewhat problematical. Continued sensitive liaison is essential to preserve and enhance the gains achieved.

o USAID must use every appropriate means of safeguarding its autonomy from government agencies and/or legislative devices requiring prior approval of the legally certified IPVOs allowed to be assisted. USAID's selection criteria for assisting IPVOs must continue to be based on development merit rather than political expediencies.

o USPVOs should acknowledge the competence and earned autonomy of many IPVOs and realize that the desire of those IPVOs to alter the terms of collaboration to make them more appropriate and responsive is legitimate and not premature.

o There is significant potential for USPVO and IPVO collaboration around shared advocacy concerns and a wide range of development education priorities. Every effort should be made to maximize collaborative programming and collectively seek funding from A.I.D. and a wide range of donors. Past collaboration of USPVOs is appreciated.

o The success of the Co-Fi IPVO programs in the Philippines and Indonesia will encourage broad-scale replication. This is an understandable reaction but replication should be done cautiously and only after the key contextual variables affecting success in these additional countries are thoroughly understood.

o The goals, purposes and short-term programmatic applicability of any A.I.D.-funded research relating to USAID/IPVO approaches or impacts should be cleared by the Missions having such programs. This kind of research can be valuable if it is pragmatically focused but it can also be disruptive of highly sensitive and fragile relationships whose existence and complexity these researchers are often unaware.

RATIONALE FOR INCLUDING APPENDICES DOCUMENTS

The documents included as appendices in this report were selected to help the reader place the Philippine and Indonesian USAID/IPVO program and project activities within a geographical and operational context.

What comes through geographically is how isolated and widely dispersed these IPVOs are and the challenge this presents for USAID to do cost-effective on-site funding analysis, frequent monitoring visits and evaluations.

In order to understand the way the USAID/IPVO program operates, I have included the required documentation for recruiting new IPVOs who qualify for funding, the format for submitting project proposals for funding and preparation of a concept paper for IPVO co-financing grants. I have also including post-funding documentation so the reader can better understand the reporting and monitoring formats.

This documentation is meant to be illustrative rather than a critique of USAID/IPVO data collection or the management information systems it feeds. The report is not meant to be an evaluation. Hopefully, it will provide some talking points for an on- going dialogue between A.I.D. Washington, USAID Missions with IPVO programs, the IPVOs and USPVOs who share an interest in maximizing the cost-effectiveness of collaboration.

LITERATURE REVIEW AND BIBLIOGRAPHY

The existing literature on NGO policies and programs has proliferated dramatically in recent years, but only a fraction of this material is pertinent to this study. In focusing on literature relevant to the role of IPVOs as agents of national development in Asia, this review will address the six issues mentioned in the Scope of Work: 1) relations between IPVOs and government organizations; 2) links between IPVOs and the private sector; 3) income generation mechanisms; 4) IPVOs and umbrella organizations; 5) relations between IPVOs and peoples' organizations; 6) and relations between IPVOs and USPVOs.

With few exceptions, the research is non-comparative and somewhat atheoretical. There are many case studies of individual local organizations which may or may not qualify as IPVOs (Rahman, 1984; Muntemba, 1985). Lessons of success are difficult to draw from such examples. Evidence of cross national sharing and learning by Asian IPVOs is, not surprisingly, rare.

The research on IPVOs has been generated by USNGOs, independent scholars and the international aid agencies. The theoretical orientations range from highly functionalist to liberationist. The following discussion will emphasize the on-going debate around each of the six issues mentioned in light of USAID's experience in the Philippines and Indonesia.

1) The Relationship Between IPVOs and Government Organizations

The effectiveness of IPVOs is obviously highly dependent upon their institutional environment, specifically relations with state agencies. The quality and quantity of communications can serve to both facilitate project implementation and avoid bureaucratic blockage. Close ties to the state can also lead to cooptation of IPVOs goals and loss of grassroots credibility. The functionalist perspective favors more IPVO-state linkages (Esman and Uphoff, 1984; Leonard and Marshall, 1982). The liberationist perspective would argue for fewer linkages (Gilbert, 1984; Rahman 1984). The reality seems to be that what matters is quality and not quantity of the linkages. Hellinger argues that skillful informal contacts by IPVOs can often be more effective in the early stages of negotiation than high-level discussions involving international agencies (Hellinger, 1987:141).

The difficulties encountered by IPVOs with weak or unskillfully handled relationships with state bureaucracies are illustrated by Philippines IPVOs' problems obtaining

endorsement from NEDA (Simmons, 1984: 58; USAID, Feb. 1984: Annex L). Another example is the problems the Indonesian Yayasan Foundation had when its staff was seconded by the Ministry of Agriculture (Dixon, 1982: 4).

The problems of maintaining integrity and grassroots credibility while negotiating with state agencies are many. Just as USPVOs find close association with and funding by the U.S. Government potentially threatening to their institutional and philosophical integrity, so IPVOs find themselves similarly challenged.

Korten (1986), Annis (1987), Karjese (1987) and Garilao (1985, 1987) each argue that a growing number of IPVOs (especially in Asia) are developing the capability to lead people-centered, democratic development efforts. The factors which will enable such a movement will be IPVO competence, credibility, and institutional strength. The international aid agencies can make an important positive contribution to this movement.

2) The Link between IPVOs and the Private Sector

IPVOs are often referred to as the Third Sector and are distinguishable from the private sector by values and long-term social change goals. Nonetheless, they perform many of the same functions as any private firm: finding a market for their services, meeting a payroll, attracting outside investment, etc. As Garilao suggests, IPVOs are developing as a distinct economic sector in many countries (Garilao, 1987: 115-116). The "development industry" in Asia is growing increasingly sophisticated and even competitive with its First World counterpart. IPVOs provide expertise, services, information and financial resources to both smaller and larger organizations. Cernea argues that there is no conflict between altruistic, philosophical motivations of IPVOs and the need for them to behave like private sector firms (Cernia, 1988). In the most recent "Progress Report on Cooperation between NGOs and the World Bank" (1988), IBRD appears to utilize IPVOs as it would any other private sector institution.

As IPVOs face increasing pressure to become self-sufficient, they must become more adept at income generation. By developing into essentially contracting or consulting firms, IPVOs run the risk of losing grassroots support and therefore their powerful role as leaders of democratic social change movements.

3) Income Generating Mechanisms

The many negative aspects of dependency on external funding have turned the attention of IPVOs and international agencies to local income generation. The Esman and Uphoff (1984) study of local organizations indicates that successful independent income generation is an uncommon but very important component of sustainability. The cases documented by Muntemba (1985) suggest that client involvement in income generation efforts by IPVOs is also very promising. Both studies indicate that carefully planned provision of essential goods and services by IPVOS to the poor for a modest fee is an excellent basis for IPVO income generation. Others argue that IPVOs should turn toward consulting and training for international agencies (Antrobus, 1987). AID's experience with IPVOs in the Philippines and Indonesia indicates that although income generation is recognized by IPVOs as important, the staff members of these organizations are not experienced entrepreneurs (Simmons, 1986). They are often lacking skills to find markets for services, keep business books, and maintain organizational flexibility to successfully undertake income generation projects.

4) Relationships between IPVOs and Umbrella Organizations

The case for the critical importance of intermediate organizations as buffers between larger state or international agencies and the small IPVO has often been made (Gran, 1983; Hellinger, 1983). Small, isolated social change institutions are vulnerable to all kinds of outside pressure; and umbrella/federation/consortium bodies can work to defend and support these groups. Successful cases of this kind are hard to find. Stremlau (1987), Antrobus (1987) and Hellinger (1983) each argue that great potential exists for such consortia, especially those bound by philosophical commitments and common development theory. Studies conducted by PACT in Latin American (Hellinger, 1983), Africa (Miller, 1981) and Asia (Communication Development Service, 1984) indicate that the record on consortia and umbrella organizations is mixed. The problems are rooted in issues of financial and political control, democratic decisionmaking, and philosophical differences between the IPVOs and the institutions trying to "coordinate" them. USAID's efforts to work with consortia in the Philippines (CIVAP) were stymied by its lack of representation of many smaller IPVOs. Cole (1983) documents the many financial and institutional problems encountered by USAID in dealing with the PPHI (legal aid umbrella organization in Indonesia). Funding is a special problem because of the scarce human resources available to handle finances in these

countries. Betts' evaluation of IPVO projects in Indonesia indicates that block grants to ineffective BINGOs can lead to ill-conceived support for LINGOs and to a distortion of BINGO goals and imperatives (Betts, 1987). Fiscal competence, however, is no substitute for the kind of commitment and philosophical consensus building envisioned by Gran, Stremlau and Hellinger.

5) Relationships between IPVOs and Grassroots/People's Organizations

From a liberationist perspective, IPVOs which have poor or non-existent links to the grassroots/peoples's organizations are not participants in a democratic social change movement. IFDA DOSSIER, the IPVO/grassroots organization networking journal, offers many examples of such institutions and their efforts at social change. Korten (1987), Frantz (1987), Rahman (1983) and others argue that the creation of such links are the most important role of IPVOs. However, in political contexts such as Indonesia, such linkages can be dangerous because of government insecurity and repression of social change movements. Betts (1987) and others posit that USAID plays a very positive role in persuading the Indonesian government of the value of IPVOs and providing a possible gradual legitimization of democratic social movement in the future.

6) Relations between IPVOs and USPVOs

A close working relationship between USPVOs and IPVOs are usually precedes USAID involvement. These often long-standing relationships undergo changes as IPVOs become more established and competent. The issues emerging in the recent literature on the USPVO/IPVO relationship are: A) types of funding (project vs. IPVO capacity building; B) power sharing (shared design and planning responsibilities); and C) new criteria for selection of IPVOs by USPVOs and vice versa.

Many experts argue for a change from funding by USPVOs of specific IPVO projects to staff building (training, salaries) and other capacity building steps which will increase the competence of IPVOs (Elliott, 1987; Padron, 1987; Hellinger, 1987; Antrobus, 1987). This suggestion goes against all kinds of organizational imperatives of USPVOs (control, accountability to contributors, etc.). Similar arguments apply to power sharing between USPVOs and IPVOS.

Hellinger suggests more analytical and consistent selection criteria in choosing IPVOs with which to work. Nyoni, on the other hand, turns the issue around: How can

IPVOs differentiate between those international NGOs which will genuinely assist them in achieving their goals and those which will foist another agenda upon them? What kind of USPVO or international agency assistance is most helpful? To this question, the NGO policies and programs literature has few concrete answers.

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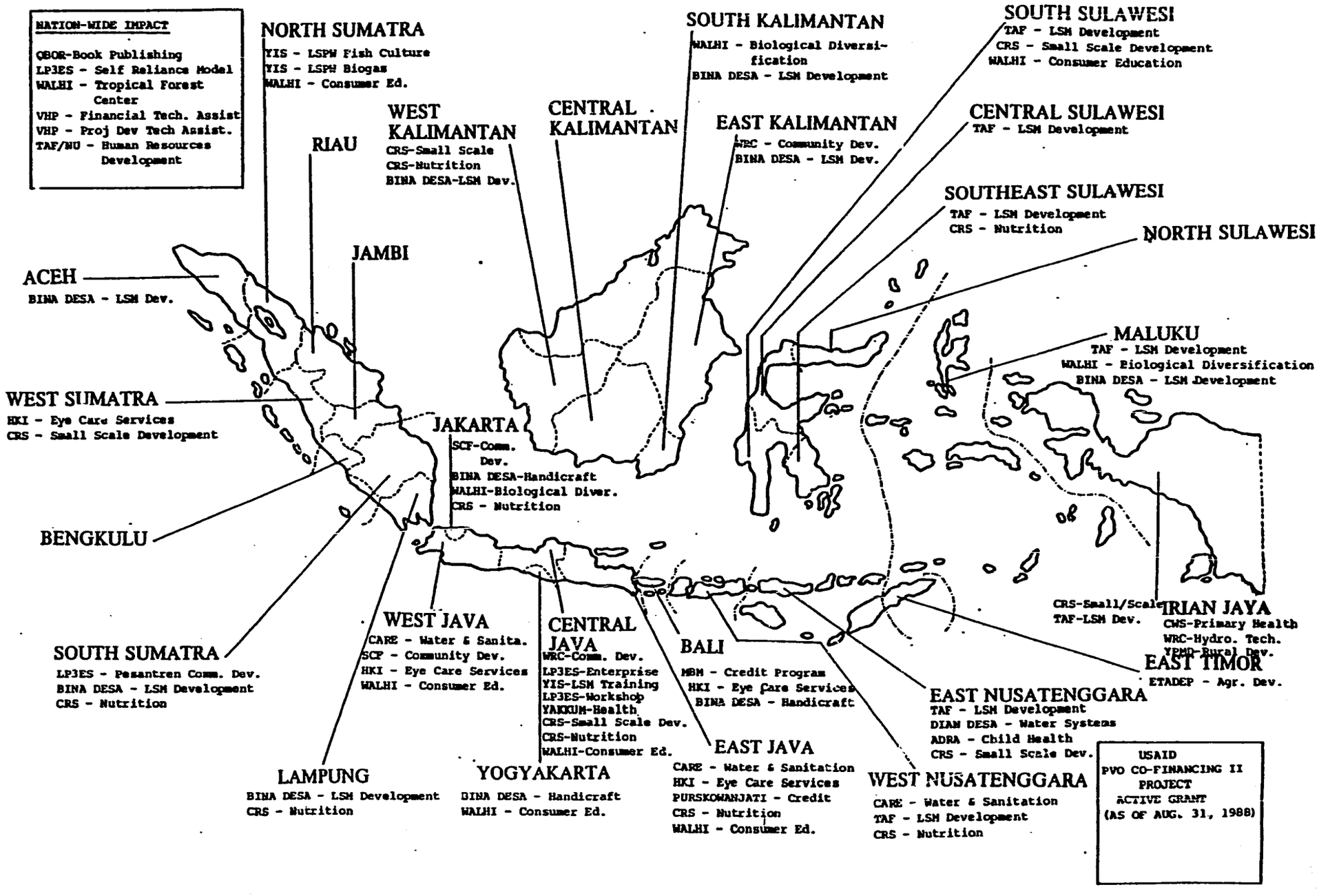
NATION-WIDE IMPACT
QBOR-Book Publishing
LP3ES - Self Reliance Model
WALHI - Tropical Forest Center
VHP - Financial Tech. Assist
VHP - Proj Dev Tech Assist.
TAF/NU - Human Resources Development
NORTH SUMATRA
YIS - LSPW Fish Culture
YIS - LSPW Biogas
WALHI - Consumer Ed.
RIAU
JAMBI
ACEH
BINA DESA - LSM Dev.
WEST SUMATRA
HKI - Eye Care Services
CRS - Small Scale Development
BENGKULU
SOUTH SUMATRA
LP3ES - Pesantren Comm. Dev.
BINA DESA - LSM Development
CRS - Nutrition
LAMPUNG
BINA DESA - LSM Development
CRS - Nutrition
WEST KALIMANTAN
CRS-Small Scale
CRS-Nutrition
BINA DESA-LSM Dev.
CENTRAL KALIMANTAN
SOUTH KALIMANTAN
WALHI - Biological Diversification
BINA DESA - LSM Development
EAST KALIMANTAN
WRC - Community Dev.
BINA DESA - LSM Dev.
SOUTH SULAWESI
TAF - LSM Development
CRS - Small Scale Development
WALHI - Consumer Education
CENTRAL SULAWESI
TAF - LSM Development
SOUTHEAST SULAWESI
TAF - LSM Development
CRS - Nutrition
NORTH SULAWESI
MALUKU
TAF - LSM Development
WALHI - Biological Diversification
BINA DESA - LSM Development
JAKARTA
SCF-Comm. Dev.
BINA DESA-Handicraft
WALHI-Biological Diver.
CRS - Nutrition
WEST JAVA
CARE - Water & Sanita.
SCF - Community Dev.
HKI - Eye Care Services
WALHI - Consumer Ed.
CENTRAL JAVA
WRC-Comm. Dev.
LP3ES-Enterprise
YIS-LSM Training
LP3ES-Workshop
YAKKUM-Health
CRS-Small Scale Dev.
CRS-Nutrition
WALHI-Consumer Ed.
YOGYAKARTA
BINA DESA - Handicraft
WALHI - Consumer Ed.
BALI
MBM - Credit Program
HKI - Eye Care Services
BINA DESA - Handicraft
EAST JAVA
CARE - Water & Sanitation
HKI - Eye Care Services
PURSKOWANJATI - Credit
CRS - Nutrition
WALHI - Consumer Ed.
WEST NUSATENGGARA
CARE - Water & Sanitation
TAF - LSM Development
CRS - Nutrition
EAST NUSATENGGARA
TAF - LSM Development
DIAN DESA - Water Systems
ADRA - Child Health
CRS - Small Scale Dev.
IRIAN JAYA
CRS-Small/Scale
TAF-LSM Dev.
EAST TIMOR
CWS-Primary Health
WRC-Hydro. Tech.
YPMD-Rural Dev.
ETADEP - Agr. Dev.
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PVO CO-FINANCING II PROJECT
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(AS OF AUG. 31, 1988)