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**TOWARD A NEW CONSENSUS
ON PUBLIC/PRIVATE APPROACHES
TO INTERNATIONAL DEVELOPMENT**

Issues for Discussion

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WHY THIS PROCESS?

Our capacity to make a measurable difference in achieving global development is limited. To leverage our finite resources, we must examine our successes, comprehend the changing environment for development and define the issues and impediments to progress. Countries, organizations, and individuals make a difference in effecting change. Globally, development is happening. The issue is how to best use our national wealth, our organizational commitment and creativity, and our personal capabilities as professionals and volunteers.

The Office of Private and Voluntary Cooperation of the U.S. Agency for International Development has initiated a process to clarify the U.S. approach to Third World development in partnership with private-sector organizations and to assess opportunities for the future. It is part of a larger effort by government and private groups to reexamine how we provide development assistance to Third World countries.

This document is a beginning. It sets forth issues and trends explored in in-depth interviews with 20 top agency officials and development specialists (Appendix B), surfaced from data accumulated over the past decade by AID, and described in recent international development literature.

What is clear is that "we are all still learning," in the words of one career officer. No one has answers. Availing ourselves of future opportunities requires reflection, a critical and realistic sense of national, organizational and personal resources and resolve, and openness to new ideas.

"The issue lies in directing serious attention to . . . issues and to have these explored in all the wonderful ways a chaotically organized community can."⁹*

This paper seeks to initiate a discovery process. As a result, what follows is "work in process." This snapshot of development issues today is intended to be perishable, an impermanent contribution to development literature. It serves as a jumping-off point to stimulate discussion and to frame the scope of debate--first, among selected participants at several think-tank sessions and, then, among the broader development community. The process is modeled on an interdisciplinary research technique used for creative brainstorming and consensus-building by major U.S. businesses.

For purposes of this paper, our purview is restricted to AID's directly humanitarian activities as opposed to security assistance. Our focus is on programs to further development; we have excluded "relief"--or feeding and donated commodity programs--from the scope of this study, although these programs are increasingly devoted to achieving economic development goals. And we have narrowed the scope further to stress people-to-people development assistance approaches as opposed to government-to-government methods of delivering development assistance.

The aim of this process is to contribute to improving the nexus between AID and the private sector and strengthening the way they work together in the 1990s and beyond. By improving this relationship, we seek to further our national goal of assisting in the development of Third World nations and thereby enhancing the development of the United States and the world.

* Superscript numbers refer to references at the end of this paper.

As one participant noted:

"It is important for all of us, together, to come to some common agreements about what are the burning issues that we need to come together on.

"The really critical issues for the 1990s are going to be issues that revolve around interdependence in the world. The U.S. economy is very much tied up in the economies of the developing countries. One of the issues will be trade problems--40% of our trade is accounted for by developing countries. We are not going to be any better off in terms of our trade prospects unless they develop and their economies grow, and by the same token their economies are dependent on the health of our economy. . . .

"The international debt crisis, which threatens the very financial institutions on which we rely for our own livelihoods, depends on the health of developing country economies. . . .

"The same is true on the environmental side. It will be one of the powerful issues of the 1990s--the ozone layer and the greenhouse effect. Unless we all work together on the environmental issue, life as we know it on this planet is seriously threatened.

"What is required is a new realization by the American people that we have got to work together and, unless we sit at the development table, we are going to have very little say on how these countries develop and urbanize and industrialize.

"Economic growth, but broadly based, participatory, and not just by the few but by the many and not saying a focus on the poorest of the poor--that is not how you get growth in the global environment. The best foundations for democracy are sound, broad-based

economic development (and institutions) in which everyone participates in the mainstream of economic activities.

"There has to be a new national consensus on development."

THE AID/PVO RELATIONSHIP TODAY: ROLES IN TRANSITION

The U.S. Agency for International Development (AID) is the federal agency responsible for the delivery of U.S. foreign aid, including development assistance.

Implementation of its mandate, as established in the Foreign Assistance Act of 1961, has become progressively more complex. "Back in the 1960s, AID as a development agency had a very incomplete understanding of the Third World," one career officer with decades of service abroad said.

Today, there is a much more sophisticated understanding of how to provide foreign aid in a meaningful way--a "professionalization" of development. There also has been an evolutionary process brought about by a rapidly changing, much more interdependent world, and a recognition that the opportunities for assistance are far greater than any one nation's resources can attain.

Because of their desire to rationalize what has become a complex approach to development assistance, several ranking AID officials interviewed for this study are enthusiastic about the increasing interest among members of Congress to rewrite the Foreign Assistance Act and AID's mandate. Interviewees expressed a "need to go back to square one" and "to scrape off the barnacles."

AID's senior officials characterize how they and their agency go about carrying out U.S. development assistance policy as increasingly less direct implementation in assistance delivery, but rather as:

- a "bureaucracy manager as opposed to an implementer,"
- a "portfolio manager" for "projectized" funds, and
- a "conglomerate."

By a ratio of \$5:\$1, the bulk of AID's development assistance funds are appropriated for bilateral, government-to-government development assistance. "As government workers, AID personnel think in terms of governmental solutions to development problems. That is their mindset and their culture," one agency official said.

Said another, "AID is a government-to-government organization, and recently we have been trying to get into the private sector. Our principal means of working directly with the private sector is through the PVOs (private voluntary organizations). We have had some successes, and it is a high priority of the agency. But frequently I think we don't do that very well. AID is a government-to-government concept. It doesn't have to be, but it is. We negotiate our programs with other countries' governments."

Despite its "government-to-government" cultural and operational norm, AID relies increasingly on private-sector organizations as a "people-to-people" channel for delivering U.S. economic development assistance. The proportion of dollars appropriated for people-to-people programs is growing during a time of severe cutbacks in overall funding for foreign assistance.

With diminishing human and financial resources, the agency has had to change and will continue to change--perhaps dramatically--in its approach. It must become more streamlined in how it does business and better able to leverage available resources. "It is no longer realistic to attempt an integrated, holistic or comprehensive approach to development. Managing a portfolio of projects is something we should look to The World Bank to do. AID should be catalytic," one senior official said. "We are no longer a relevant resource-transfer agency; there simply aren't enough dollars."

As a result, the officer's view is that AID must look

for niches of opportunity to affect development, a driving trend behind the rationale for greater reliance on the private sector.

If AID must become, as this officer suggests, a much more opportunistic, catalytic, creative force in international development, it is clear that the agency must focus on ways in which it can understand and improve its nexus with the private sector.

Today, no one has defined or described the overall scope of, or opportunity for, private-sector involvement in international development activities. Nor has anyone fully explored and articulated the sector's unique characteristics and competitive advantages in carrying out development assistance projects.

Interviewees concurred that AID's relationship with the private sector largely is restricted to what it calls "private voluntary organizations" or "PVOs." This widely accepted term, which will be used in this paper, may well be a misnomer. PVOs, by AID's definition, are those organizations which are registered with the agency as meeting certain qualifications for its grant programs.

The degree of "privateness" and issues surrounding the concept is a major issue AID and the PVO community must seek to address. A more precise descriptor for organizations participating with the agency may be "private/public voluntary organizations," one interviewee asserted. Organizations which utilize only private funds and are not AID-registered are the only organizations which are totally "private."

The "V" in "PVO" is as great an issue. One interviewee pointed out that any society actually has three sectors:

- government,
- "enterprise" or business, and
- "independent."

The independent sector includes PVOs and everything else which exists in society beyond government or business--such as religious institutions, group leisure or hobby activities, advocacy groups, etc.--the operative concepts being voluntarism and independent initiative, freely motivated as a personal choice rather than by such imperatives as law or the need to produce revenue.

"I don't know anyone within AID who is talking about what role the independent sector plays in any society. I sometimes wonder if we are restricting ourselves intellectually by thinking in terms of 'PVOs.' Understanding the role of this independent, non-governmental, non-business sector and how it functions is a missing ingredient in the development community's analysis of what makes societies function abroad."

This point is significant to explore because it underlies the rationale for what is considered PVOs' unique contribution to the development process and why people-to-people programs are increasingly useful as a mechanism both for foreign aid delivery as well as the conduct of foreign policy. PVOs are widely viewed as yielding an added dimension beyond simply being capable of delivering aid, training, technology, or managerial capabilities for projects. For example, they are considered to be a "democratizing influence" within societies.

Independence of action or a perception of freedom from official constraints on the part of PVOs is cited as a major contributing factor to their effectiveness. PVO representatives carry "authority and credibility" beyond what AID itself can deliver abroad because those persons represent a U.S. constituency and come from a base of experience outside government, one official commented.

Thus, the extent to which PVOs become or are perceived to be agents of government may mitigate

against their effectiveness. To the extent PVOs become indistinguishable from government contractors, and potentially lose their ability to mobilize and represent a base of volunteer constituents, they may minimize their effectiveness.

The PVO community is diverse and, as a result, care needs to be taken when making generalizations in characterizing its activities. PVOs tend to work overseas on behalf of a U.S. constituency which represents the American values of pluralism and humanitarianism. They are development innovators and employ low-cost methodologies. Their approach is people-to-people, focusing on having an impact at the village and community level. As a grass-roots delivery system, PVOs often serve as intermediaries for official assistance programs.

From their origins largely after World War II as relief organizations, many PVOs have become major AID partners in economic development assistance programs. They have evolved from humanitarian relief organizations to become technical assistance providers and project managers. Now a number of these organizations are "going global" by establishing relationships with sister organizations in other developed and developing nations, thus enhancing their capacities to replicate their programs.

U.S. PVOs now are extending their roles as AID intermediaries even further. For example, they increasingly are being seen as reliable, cost-effective instruments in the establishment of U.S. foreign relations. The United States rates nations by diplomatic priority. In certain small nations such as the Comoro Islands, Equatorial Guinea, and the Central African Republic, U.S. PVOs under funding agreements with AID are responsible for U.S. bilateral assistance. There are no official AID representatives resident in country. Cost-sharing provisions are waived in these instances.⁴⁴

PVOs have not been relegated merely to the fringes.

They also are in evidence on the firing line, such as on the West Bank, in South Africa, Ethiopia, and Nicaragua. In instances where diplomatic relations between the United States and another nation have been suspended, as in strategically important countries such as Afghanistan, PVOs serve as a means toward rebuilding contact. In Afghanistan, U.S. PVOs will assist in resettling refugees long before any representative of the U.S. Government is assigned to a duty post in Afghanistan.

PVOs' ability to establish informal or personal, people-to-people relationships abroad is an attribute perceived as giving the United States an advantage over some developed nations in its foreign relations. For example, the Japanese recently sent a delegation to Washington to visit with AID officials to learn how the United States has nurtured PVOs and enhanced their effectiveness and participation in international development.

PVOs' foundation in voluntarism makes them "almost a uniquely American phenomenon," an interviewee with many years' service abroad noted.

AID's FY 1989 Congressional Budget Presentation allocates \$367 million, or 22%, of a total development assistance account of \$1.7 billion to private-sector, people-to-people programs. PVOs have increased their participation in AID projects from \$39 million in FY 1973 to an estimated level of \$367 million in FY 1989. When measured in constant dollars, AID's use of people-to-people channels for delivery of development assistance has grown more than threefold.

This increasingly sweaty embrace of involvement/interdependence creates tensions.

Some AID officials see AID's increasing reliance on PVOs as a threat to the future viability of the U.S. position in foreign assistance. Several persons describe AID as a "hostage to its contractors" as a

result of its dwindling internal capacity to deliver assistance directly. "We're in the same position as the Pentagon is with its contractors. We can no longer do the business we are about with our own staff."

Exacerbating this problem for persons who hold to this point of view is the increasing perception within the agency of a growing professionalism and sense of political clout within the PVO community.

PVOs have begun to become a unified sector.^{3, 20} "From people who came together out of a rather simple sense of shared feeling for the poor with relatively pure ideals of concern for others and an optimism about their power to make a difference, many (PVOs) have become 'professionals' with an evolved sense of expertise and a professional language and identity and, along with that, a stake in their jobs and organizations."²⁰

PVOs are more and more under the managerial direction of second generation executives who have risen through the organization, often succeeding a charismatic founder. Management has often been seen as antithetical to their very being--some would even say that it takes the character out of a voluntary organization.³ Yet there is the recognition that, to have a greater role in development, something is needed in the way of management. There is also the recognition that PVOs have undergone management revolutions in recent years, bringing in a generation of development managers in place of founding idealists whose strengths often were not in management.

PVOs have trade associations and consortia, hold meetings, publish journals, engage in sophisticated direct mail campaigns, and lobby. The distinctions between PVOs and advocacy groups can become blurred. Their perceived ability to " earmark " funds or initiate fads for special-interest programs causes great consternation among AID officials. Some are concerned that PVOs are overselling their capabilities to Congress, becoming

a fad in and of themselves with the potential of a future backlash. "PVOs are appearing self-interested rather than interested in the needs of AID recipients," was another point made by several officials.

AID has purposefully promoted the professionalism of PVOs. As a result, rather than being afraid of PVOs' increasing clout and capabilities, many agency officials are applauding it. They also claim that while some programs, such as direct program grants, have strengthened PVOs institutionally, part of their growth simply has been evolutionary. As more persons gain development experience abroad in the Peace Corps and elsewhere and universities establish courses and degrees in international development, a cadre of trained professionals has emerged. Thus, AID and many PVOs are moving closer to one another's vantage point in their goals and perspectives. "PVOs are becoming easier to work with" as they employ more and more development professionals, including former AID and Peace Corps personnel, one official noted.

Several agency officials and PVOs characterize their evolution as moving toward an era of "shared enterprise" and "collaboration"--an opportunity to improve each others' capabilities in accomplishing development. A few officials see the possibility of AID's managing its PVO program as a publicly funded foundation, with a board of directors comprised partly of representatives from the PVO community.

The following comment was made quite matter-of-factly: "We don't have enough resources. The more the private sector will become involved, the more likely we can achieve our objectives. We cannot afford to lose this sector -- it is bigger than we are."

PVOs recognize that despite their complaints about AID's bureaucracy, red tape, procedures, vexing personnel turnover, and the like, AID money is the easiest money to get. The cost of obtaining one dollar from

AID is less than any other dollar PVOs can obtain. PVOs have not adequately come to terms with this "seductive relationship"²⁰ with AID and faced contradictions inherent in their continuing to want to maintain their separate and special identity.

Some PVOs see a danger of becoming "hostage to AID." They fear "interference" in program design and project administration and becoming increasingly "AID-driven" rather than directed by constituent and organizational goals and their unique characteristics as development entities.

To varying degrees, PVOs and AID have differing objectives.

The cultural dichotomy between PVOs and AID was highlighted during a meeting of AID staff in Bangkok in 1986 to explore ways AID could make a difference. The issues were defined by the competition between two fundamentally different ways of looking at the problem of organizing a society for resource management: one sought broadly distributed ownership and management of productive assets, with an emphasis on the community level; the other sought centralized control under bureaucratic structures.

As a result of these differing approaches and perspectives, the relationship between AID, as a public channel of development assistance to further U.S. foreign policy goals, and PVOs, as a people-to-people channel of development assistance with goals and objectives determined by their private constituencies, can be difficult.

PVOs have varied relationships with AID and their decision-makers hold varied opinions about the agency. Some PVOs will not accept any AID funds in order to maintain total independence of action and for fear of the threat to their distinctive approach to development.³⁷ Other PVOs limit AID funds to those activities which directly relate to their specific organ-

izational goals and objectives. A few PVOs (23 out of a total of 229) exist as AID intermediaries, having been created directly by or having been responsive to AID policies and initiatives.

Thus, there are varying degrees of dependence and independence.

Financially and organizationally, some PVOs are somewhat fragile. Loss of individual leaders often poses a difficult transition. Many PVOs are at a relatively early stage of institutional evolution which is characterized by:

- loose, informal, and flexible (but responsive) organizational structures, resistance to structured planning, and the use of budgeting to work out program strategies,
- decision-making on the basis of feelings and intuition, not necessarily on the basis of an analysis of alternative courses of action,
- strong sensitivity to human relations but reluctance to take difficult personnel actions, and
- lack of clarity with respect to the balance between policy, governance, and operations.³

The core responsibility for maintaining the relationship between AID and PVOs rests with the Office of Private and Voluntary Cooperation (PVC). However, this responsibility is shared with other bureaus within the agency as well as field missions. Thus, project funding mechanisms and decision-making processes are complex and idiosyncratic. The variety of relationships PVOs have with AID at its different levels results in conflicting messages and sometimes conflicting objectives, causing difficulties in relationships between AID and the PVO community to develop.

The vast majority of funds to PVOs currently are

provided through AID field missions. AID mission directors tend to view PVOs primarily as intermediaries for attaining the objectives of their country programs. Although there are upwards of several hundred AID-registered PVOs, Washington-based AID personnel believe mission directors frequently have little or no knowledge of the capabilities of organizations beyond those PVOs currently active in the country where the mission director is located. The perception is that mission directors' understanding of PVOs' capabilities is highly limited by local circumstance and by development project.

A recent survey of mission directors and PVOs, however, showed that, although there is general agreement between PVOs and missions on present-day program capabilities, there is less agreement on how best to prepare for future development needs and the role for PVOs and AID.¹⁵

A further difficulty cited by persons interviewed as a part of this process is that often the duty of working with indigenous and U.S. PVOs is relegated to a junior mission officer because project funding for private programs is small relative to government initiatives. Thus the ranking officer devotes time and attention to governmental issues rather than to the private-sector development process.

As a result, the mission directors' vantage points, while focused on country priorities, seldom account adequately for the PVOs' individual organizational goals and abilities. Nor do mission directors seek to optimize capacity-building over the long term for private-sector delivery of development assistance.

While coordinating closely with mission directors, PVC has among its funding program goals to achieve strategic growth in PVOs' institutional capacities for undertaking development assistance programs and to identify and build upon synergies between the PVOs' objectives and AID's overall programmatic mission as

defined by Congress.

As a PVC official noted,

"There is a tremendous opportunity for this agency to work with the U.S. voluntary community and for the work we are doing to have a real sustainable impact. We are located in the right place and have the right kind of commitment to influence development. And we are starting to learn what strong, sustainable institutions look like. We have an opportunity to provide the [PVO] community with the expertise they need to translate their skills to indigenous organizations. By working within that context, they will be building the whole foundation on which the rest of development in that country will be based."

Clearly an area of opportunity is better communication and coordination at all levels. The interviews conducted and issues identified in this paper begin this process for improved dialogue and building a new consensus on public/private approaches to international development.

ISSUES FOR FURTHER EXAMINATION

AID has on several occasions examined discrete aspects of the roles that PVOs play vis-a-vis AID's mandate. But several broad issues remain which have not been adequately explored:

- **"Privateness":** How can the AID/PVO relationship function in a way which will maintain and optimize PVOs' private and voluntary characteristics and pluralistic values while fulfilling AID's needs for accountability?
- **Priority development:** How can PVOs maintain their unique identities and their own priorities while being responsive to and cooperating with the U.S. Government's development priorities?
- **PVO capacity building:** What mix of AID policies and support will strengthen PVOs institutionally?
- **Relationships between U.S. and indigenous PVOs:** What is the best approach for encouraging the development of indigenous PVOs?
- **Development education:** What should AID's and PVOs' roles be in building both a general constituency and a leadership base consistently supportive of long-term development efforts?

A SNAPSHOT STATUS REPORT

On the whole, PVOs are a booming part of America, well exceeding the growth rate of the U.S. economy at large, whether measured in receipts from government or non-government resources. However, competition for funds is intensifying and the number of participants in the sector is rising dramatically. Participants are highly diverse in their size and scope of operations. While there are concerns about whether small organizations can continue to compete effectively for grants and contributions, they are well represented among the universe of AID grant recipients. U.S. PVOs are actively engaging in developing ties with indigenous PVOs in other countries, with nearly half now reporting to have these relationships.

Private contributions to PVOs (excluding the value of donated services or donated supplies and equipment) nearly tripled between 1979 and 1986 and have remained at a level triple that of PVOs' income from government grants (Figure 1). PVOs' private sources of revenue have always surpassed PVOs' income from U.S. Government contracts, growing between 1985-1986 to more than four times the amount of U.S. Government contract income. Private contributions to and revenue of PVOs far exceed U.S. Government support through grants and contracts, as shown by figures culled from the 1979 through 1986 annual reports of U.S. PVOs registered with AID. Despite this, there is a widely held, although unfounded, belief that U.S. Government support of U.S. PVOs is equal to 50% of what the entire community raises privately.⁴⁰

The more justifiable concern is that as the total dollar amount of AID funding for PVOs increases, PVOs' relative ability to contribute may decline.²⁸ Especially as AID relies increasingly on PVOs for their unique attributes in the delivery of foreign aid, PVOs may feel constrained in their ability to remain private while

reponding to AID's increasing needs for their skills and services.

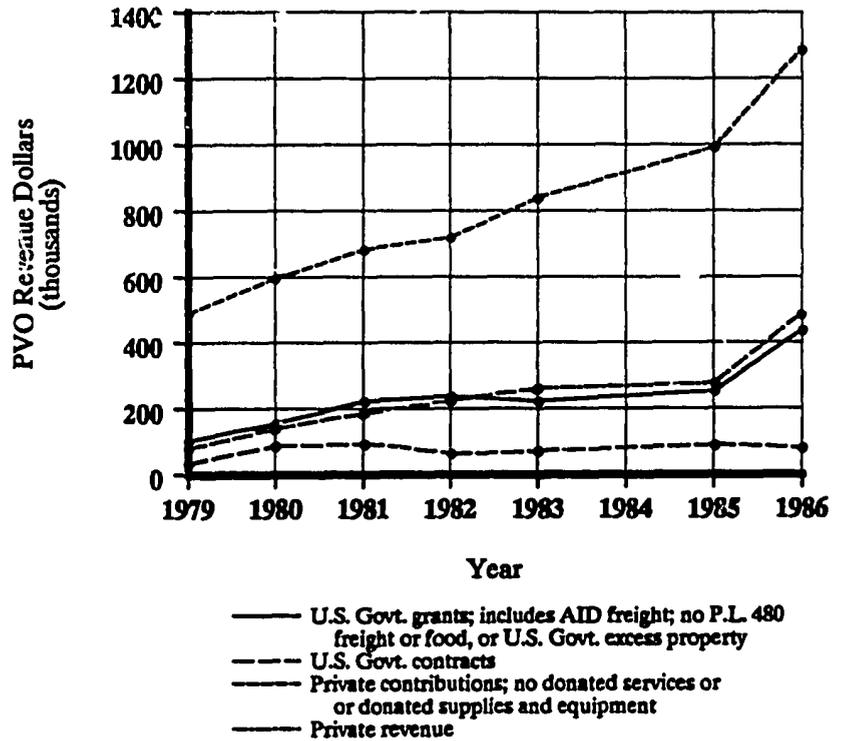
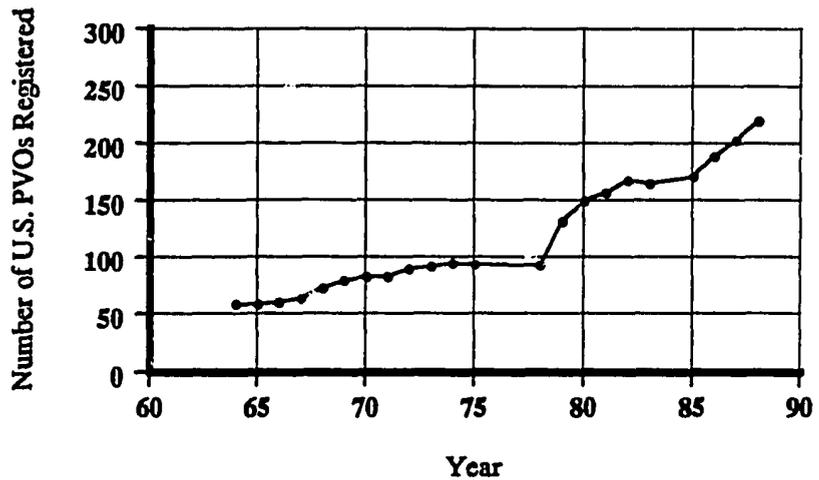


Figure 1. Sources of PVO Revenue (AID-Registered PVOs)

Although the overall level of private contributions has increased substantially, there is greater competition among PVOs for a share of these funds. Overall growth of PVOs registered with AID between 1964 and 1988 (Figure 2) has risen from 58 to 219. (Figure 3 shows the number of newly registered and deregistered PVOs during that period, yielding the absolute number of registered PVOs shown in Figure 2.)



Data are based on information in 'Voluntary Foreign Aid Programs: Report of American Voluntary Agencies Engaged in Overseas Relief and Development Registered with the Agency for International Development' for 1963 through 1975, 1979 through 1983, 1985 and 1986 (draft) and on 'Private and Voluntary Organizations in Foreign Aid' for Fiscal Year 1977.

Figure 2. Number of U.S. PVOs Registered with AID

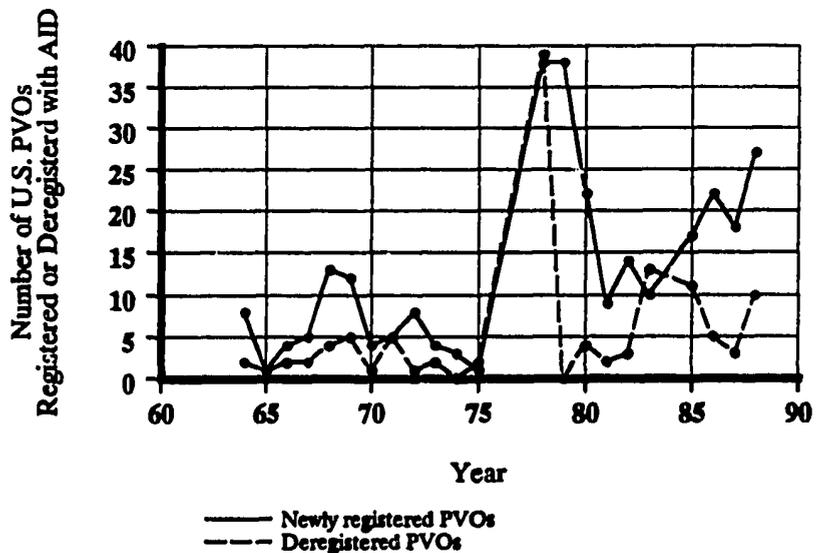
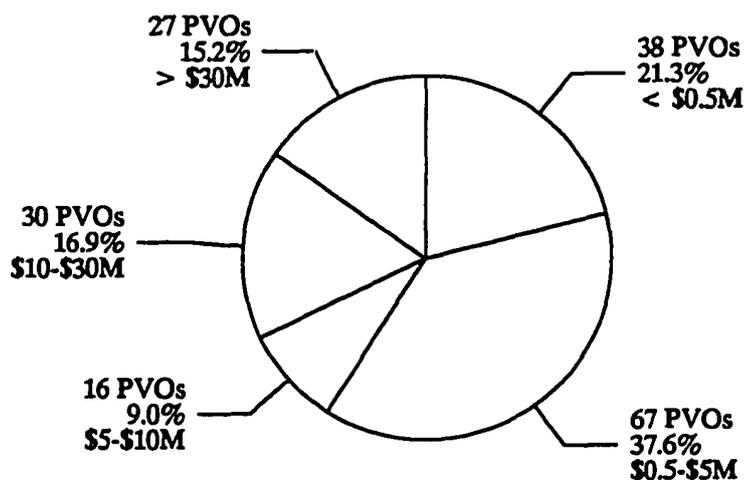


Figure 3. U.S. PVO Registration Rates

Partly as a result of increased numbers, AID has witnessed a trend toward more formal competition among PVOs.²⁸ This competition among PVOs as well as between PVOs and contractors could be at the expense of smaller PVOs, as larger PVOs can better absorb costs of competition.²⁹ Yet several smaller specialized PVOs appear to be winning contracts and grants despite the fear that newer and less specialized small

PVOs, particularly indigenous PVOs, might well be disadvantaged.²⁸

Figure 4 characterizes the PVO universe by size, based on their expenditures from all sources in FY 1985: 15.2% of the 178 PVOs registered with AID in 1986 (27 PVOs) had expenditures in their FY 1986 in excess of \$30 million; another 16.9% (30 PVOs) had expenditures in excess of \$10 million; 9% (16 PVOs), between \$5 and \$10 million; 37.6% (67 PVOs), less than \$5 million; and a significant 21.3% (38 PVOs) had expenditures under \$500,000.⁴⁶

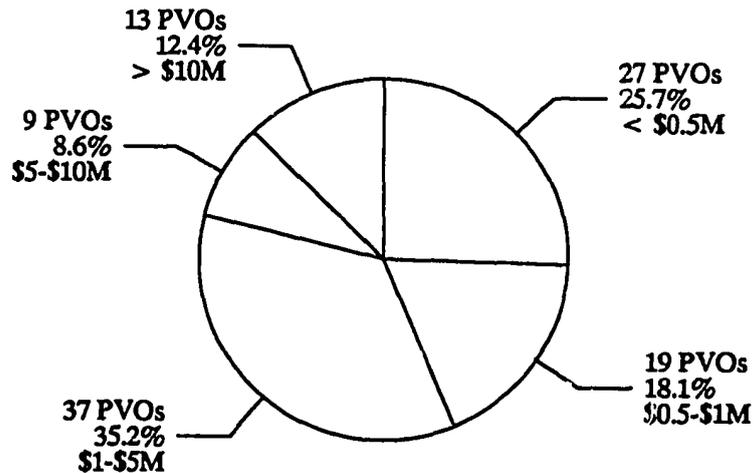


PVOs grouped by expenditure levels
giving number and percentage of PVOs in each group

Source: 1986 Volag Report, Summary of Expenditures (draft).
Data from the 178 registered PVOs required to submit annual reports to AID.

**Figure 4. FY '86 Expenditures of PVOs from All Sources
(Total = \$3,286,767,943)**

Of the 105 PVOs receiving AID grants in FY 1986, PVO income from AID grants varied from more than \$10 million by each of 13 PVOs to the less than \$500,000 received by each of 27 PVOs (see Figure 5). In that year, 22 PVOs received 75% of their funding from AID grants to PVOs.



PVOs grouped by AID grant income levels giving number and percentage of PVOs in each group

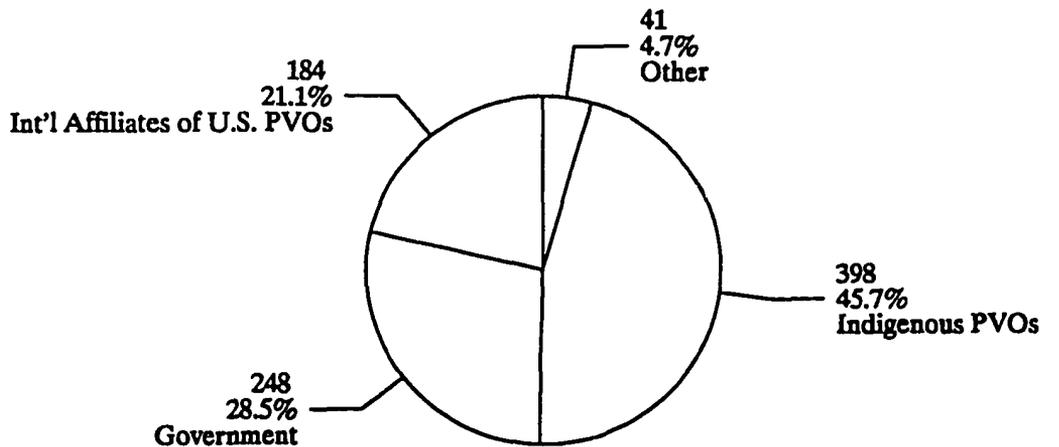
Source: 1986 Volag Report, Summary of Support and Revenue (draft). Data from the 105 PVOs receiving AID grants in their FY 1986.

Figure 5. FY '86 PVO Income from AID grants (Total = \$423,775,572)

U.S. PVOs were listed as having local indigenous PVO counterparts in 47.5% of the activities they are undertaking overseas and are channeling AID funds through local governments in at least 28.5% of their activities⁴⁵ (Figure 6). AID has attempted to compile PVOs' expenditure reports on their activities statistically according to technical codes; although this compilation is not fully reliable, it does offer some indication of certain types of PVO activities with indigenous PVOs.

The 248 local government counterparts shown through an examination of the 871 counterparts listed in 1,454 AID grants/contracts, though slightly more prevalent

in Africa (39.5% of the 28.5% total), are also widely found in Asia (29%) and Latin America (24.6%). It should be recognized, however, that the high percentage of local government counterparts to PVOs reflects both the need to work through local government in some contexts as well as the absence of viable private sector organizations in some geographic regions of the developing world.



U.S. PVO counterpart organization groupings giving number and percentage in each group ('Other' includes affiliates of int'l NGOs not U.S. based)

An examination of 1,454 AID grants/contracts listed in AID's 1987 'Expenditure Report on PVO Activities by Tech Code' shows PVOs working with indigenous counterparts in 871 instances.

Figure 6. Local Counterparts of U.S. PVOs

APPENDIX A

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VIEWPOINTS EXPRESSED IN DEVELOPMENT LITERATURE

NOTE: The following section excerpts development literature to present a breadth of opinion on issues pertinent to this discussion. No attempt is made to judge the factual basis upon which the opinions are presented. Some of the views quoted may be outdated as an author's thinking has evolved since publication of the document cited. On some subjects, existing development literature and data are uneven in scope and completeness. The sources referenced here are considered reliable, but their accuracy cannot be guaranteed.

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JHC

Issue One: Privatness

How can the AID/PVO relationship function in a way which will maintain and optimize PVOs' private and voluntary characteristics and pluralistic values while fulfilling AID's needs for accountability?

PVO integrity (often viewed as synonymous with privatness) depends first on having a distinct, well-defined mission or objective. Once having established its mission, a private, autonomous board of directors can act as an effective safeguard against straying from that mission.⁴⁴ More than 10 years ago, an AID study said, "AID should assure that each PVO has defined its own objectives and has adopted a clear philosophy as its own program priorities."³⁶

The existence of a real domestic constituency, to which PVOs are accountable, acts as a final check on PVOs' remaining true to their missions.⁵²

AID funding of PVOs puts them in a difficult position in terms of their self-identity.³⁹ How can the work of agencies which are first and foremost private, with their own constituencies, purposes, and accountabilities, be facilitated by AID without their becoming extensions of the U.S. Government?

Congress has recognized, as stated in Section 123 of the Foreign Assistance Act of 1961, as amended, that "it is in the interest of the United States that such organizations and cooperatives expand their overseas development efforts without compromising their private and independent nature."⁴⁷

They are often chosen to implement projects because they are 'unlike government' but then asked to carry out an objective of government. Though the government mandate may represent a "takeover" by the public sector of concerns pioneered by the PVO, this takeover still represents a dilution of the original pioneering distinctiveness of the organization.³⁹

The degree to which PVOs can be characterized as 'private' does not appear to have changed since PVC commissioned a study in 1985 in response to a congressional mandate. The study found:

' . . . PVOs as a whole have not increased their dependency on federal resources.

'For those institutions heavily dependent on federal support, the reliance on federal resources has remained un-

changed and has increased slightly over the five year period.

*Essentially there is a limited number of organizations that continue to be affected by a privateness formula.

*Administration of any test to measure 'dependency' is very complex because the PVO community is so diverse and U.S. Government funding to PVOs takes a variety of forms.⁴⁴

Matching 'Requirement'

The amount of non-U.S. Government support that PVOs are required to obtain has often been cited as a means to ensure PVOs' privateness.

It is widely recognized that a problem for PVOs is the degree of support they should receive from government, i.e., whether their independence is being compromised. At least 50% of the 205 largest European, Canadian, and U.S. PVOs are heavily dependent upon government support, and this dependence is growing.⁹ There has been a tendency for some PVOs to move toward potentially accessible AID funds and to neglect the task of constituent fundraising.⁵²

This financial dependence is jeopardizing the dual role envisioned in foreign aid legislation for PVOs as independent development agents and sometimes as intermediaries for AID's programs.⁵² The PVOs' intermediary relationship with AID should not be allowed to become an opportunity for PVOs to sacrifice their private and independent character.⁵² "PVOs represent private citizens responding to independently perceived needs, thus complementing what governments do."⁵²

Congress has set a limit of 80% on the amount of government funding PVOs may receive under the PVO grant program, or funds reserved to support PVO-initiated activities of registered PVOs.⁴⁴ Section 123(g) of the Foreign Assistance Act states:

"After December 31, 1984, funds made available to carry out Section 103(a), 104(b), 105, 106, 121 or 491 of this Act may not be made available for programs of any U.S. private and voluntary organization which does not obtain at least 20% of its annual financial support for its international activities from sources other than the U.S. government, except that this restriction does not apply with respect to programs which, as of that date, are receiving financial support from the Agency primari-

ly responsible for administering this part.'

'Section 123(g) also provides for a case-by-case waiver 'after taking into account the effectiveness of the overseas development activities of the organization, its level of volunteer support, its financial viability and stability, and the degree of its dependence for its financial support on AID.'⁴⁴

However, similar annual language in the appropriations legislation overrides this section. It maintains the '20% rule' but deletes the waiver provisions.

The percentage of federal funding may not in and of itself indicate how policy dependent, as distinguished from financially dependent, an organization has become.⁴⁴

'There is also, of course, the question of how private and independent [a PVO] can be if it would go out of existence were government funding to dry up, despite the appearance of private autonomy in its decision-making and governance. In other words, [PVOs] heavily dependent on government funding may have sacrificed some of the inherent advantages of being [a PVO]-their independence, their credibility, and their objectivity.'²²

The GAO seconded the point that a maximum funding percentage is not a guarantee of privateness: 'a minimum of 20% private funding would not restore standards of autonomy and dependability to PVO programs.'⁵² AID itself noted that a mathematical formula cannot be the only criterion for judging the autonomy and independence of a PVO.^{36, 44} The PVOs themselves suggested that congressional and AID policy should 'not consider the portion of funds supplied by AID for a project, a program, or an organization as the sole indicator of loss of privateness or voluntariness.'⁴⁷ Even a matching grant, with 50% or more funding originating from private sources, may undermine a PVO's independence if the countries in which the grant may be used and the projects to which it may be applied are too tightly orchestrated by AID.⁴⁴

The concern seems to be that large infusions of government capital may radically alter the nature of PVOs and ultimately the relationships between these organizations and their beneficiaries.⁴⁷

From another perspective, though,

" . . . the relationship between increasing reliance on government funding and decreased decisionmaking freedom may not be as direct or automatic as some analysts have suggested."²⁶

Rather, the real danger of increased government funding may be the vulnerability implicit in too great a dependence on any one source of funds.^{26, 44}

As the GAO noted, the critical question for PVOs is the degree to which dependency on AID financing undermines PVOs' autonomy and dependability.⁵² GAO's review did show that the autonomy and dependability of PVOs is [being] undermined by excessive dependency on AID.⁵²

Most PVOs, though, do feel that the level of government funding is a critical factor to be weighed in determining whether an agency is actually "private." In their fundraising endeavors among U.S. corporations and foundations they have found considerable interest in the amount of government funding they receive.⁴⁷ Some foundations have even told the PVOs that they will not make support available to agencies which derive more than 50% of their budget from the government⁴⁷; some foundations will not fund projects even partially supported by AID. In Latin America, for example, some PVOs have found that the corporate sector prefers not to support quasi-U.S. Government agencies or efforts. "It thus becomes clear that there is a cut-off point for receipt of governmental funds; once that point is reached, the PVO loses its private character if for no other reason than that private monies may no longer be available to it."⁴⁷ For PVOs so affected, this presents a compelling argument for using the amount of government funding a PVO receives as a yardstick by which to measure whether the PVO is truly "private." In these cases, complete, or majority, government funding may tend to gradually dilute the private nature of PVOs.⁴⁷

Private Contributions

It may be unwise for public policymakers to make decisions based on an assumption of the likely availability of significantly increased private-sector philanthropic resources for Third World economic development.²⁴

While the level of U.S. private charitable giving rose 92.2% between 1980 and 1987,²⁴ with very few exceptions there does not seem to be much evidence of appreciable growth in foundation support for Third World activities.²⁴ Most of the larger foundations carry out their own programs through grants to local institutions rather than make grants to U.S.-based organizations.²⁴ Very few foundations provide support to PVOs now, although some did in the past.^{24, 44}

There is no authoritative data on foundations' giving in the Third World or to organizations which work in the Third World.^{24, 44} 'Lack of knowledge concerning international issues and the interdependence of the United States and the rest of the world is a fundamental obstacle to increased international grantmaking.'⁴⁴ The Council on Foundations reported an increase in foundation giving for international purposes from 4% of their total giving in 1983 to 7% in 1984.²⁴ But it is almost impossible to tell how much of that increase went to program activity in the Third World and how much to other international programs, such as youth exchange or international education here in the United States.²⁴ In 1985 it was reported:

'Foundations constitute an important source of current support for international programs. However, most U.S. foundations do not have an international program and the level of support for international activities appears to be static or declining. Some of the larger foundations (Ford, Rockefeller) have in the last few years cut back on their international efforts.'⁴⁴

Only a very small portion of corporations' philanthropic giving is devoted to Third World activities.^{24, 44} Yet there is evidence that the number of corporations willing to give small grants to PVOs to work in the Third World is increasing.²⁴ There were approximately 150 corporations in 1984 which provided such grant support.²⁴ A number of corporations have made grants to PVOs to carry out activities in countries of importance to the corporation. AID has been instrumental in promoting and encouraging such partnerships.²⁴

The Conference Board in New York, with help from AID, found that the number of corporations carrying out activities for their employees and their employees' communities overseas was quite

significant, although the dollar amounts were not particularly significant.²⁴

Although there is some evidence that approximately 1% to 2% of individuals' giving also goes for international causes, private sector funding (foundation, corporate, and individual) is not increasing as fast as overall American public giving by a factor of approximately 50%.²⁴

'What increases there are, are the result of increasingly effective, somewhat emotional appeals to individuals, and some increase in corporations' activities and operations in the field. There is, however, little or no indication that the American giving public, those individuals whose giving comprises 90% of all philanthropic giving in our society, is likely to embrace long-term economic development in the Third World as a responsibility and as an absolute priority for their giving.'²⁴

Partnership

The effort to ensure that PVOs are true partners with AID is seen as another way to preserve their privateness. The parameters for a partnership between AID and PVOs were set out over 10 years ago:

'AID's role in this new expanded partnership should be to set its own priorities, to expand financing, and to offer a new form of continuing, long-term grant assistance appropriate to this partnership. The role of PVOs should be to set their own individual development priorities, to further involve their constituencies in the support of overseas development, to increase the amount of their own resources contributed to overseas development . . .'⁴⁷

Some one-third of the PVOs responding to a recent survey of mission directors and PVOs welcomed the idea of a full partnership in development with AID.¹³ However, half the responding PVOs thought that, although partnership was often appropriate, it should not be demanded and PVO independence should be recognized and respected. As one PVO said:

'A PVO has every right to decline an opportunity for partnership with the U.S. Government. What they do not have a right to do is to participate in that partnership and pursue their own foreign policy objectives where those are not in alignment with U.S. policy objectives.'¹³

Nearly a third of the PVOs responding to this survey cited a lack of recognition of their worth or an attitude of true partnership as an obstacle to an enhanced AID/PVO relationship.¹³ As one PVO noted:

"Since the PVO is usually a grantee and USAID the grantor, it is very difficult for the AID bureaucrat to think of the PVO as a partner. The PVO is a client, arguing for funds AID wants to use bilaterally. The PVO is only a partner when it happens to be the best mechanism for fulfilling AID's own objectives."¹³

It was also noted that final decisions involving an equal partner should not be reached in the partner's absence, and that their constituencies and governing boards should be recognized as private entities not subject to coercion or policy control by government bodies.⁴⁷

If successful, a partnership also implies an ongoing relationship, one project officer interviewed for this paper pointed out. This officer advocates five-year and longer grant periods.

AID holds a belief that joint funding will reinforce a PVO's responsibility for an activity, reduce the PVO's dependence on AID, encourage private sector involvement, and emphasize the spirit of a collaborative venture.²² While this is true, partnership implies something more.

The Advisory Committee on Voluntary Foreign Aid has suggested that, "in a viable working relationship, mutual trust and genuine appreciation of the unique and complementary character of true partners represents the basis for fruitful and effective programs between the public and nonprofit sectors."⁵

There appears to be a high level of respect between the personnel of USAID missions and PVOs.¹³

Various recommendations have been made to strengthen the complementarity of the respective partners. The most frequently recurring recommendation is that PVOs become more involved in the formulation of missions' country strategies.¹⁰ USAID missions should also support efforts to increase PVO leverage in working for changes in government policies, sectoral reforms, etc.¹³ But the general thrust of integrating PVOs more closely into AID's operations may heighten rather than alleviate some of the tensions between the partners.

Almost 14% of the PVOs responding to the survey of mission directors and PVOs cite as an obstacle to an improved AID/PVO partnership the feeling that U.S. Government funding means U.S.

Government control.¹³ Yet the partnership is also characterized in a study done 10 years ago as AID's "political dependence on PVOs and its consequent ability to regulate their activities."³⁵

AID's 1980 report to Congress recognized that "PVOs are most effective when they are least encumbered by external requirements or pressures, i.e., when their independence is most respected and enhanced."⁵⁰

Some of those interviewed for this paper suggested a phased-in approach to monitoring PVOs. Those organizations with a strong track record of success would have longer grant periods and less frequent reviews than less experienced organizations.

AID's report to Congress in 1980 further noted that "when AID attempts to control or overwhelm the PVOs in an AID-funded program, it undermines the independent character of the PVOs and dilutes their greatest advantage--to operate in areas and ways not open to official development assistance."⁵⁰

Yet AID is required by law and regulations to "provide regular oversight over PVO activities, and hold them accountable for proper project administration via reports, site visits, evaluations, audits, etc. Overall, we are deliberately trying to convey that while we respect the PVOs' abilities and special independence, we do have to be clear about AID's responsibilities."¹¹

Accountability

PVOs need to maintain accountability not only to their donors, including AID, but especially to their beneficiaries so that they are seen as independent providers of assistance.

The large distances separating donors and beneficiaries and their separation in perspective make it difficult for a PVO to establish a shared sense of purpose and commitment. This can confront a PVO with the dilemma of choosing between accountability to either the donor or beneficiaries.

There is a general acceptance by PVOs of the fairness and appropriateness of accountability to AID.¹³ "Government funding carries with it certain non-negotiable obligations which cannot be eliminated through structural changes."⁵⁰ It should be noted, however, that:

"accountability is very complex and involves several separate facets: the need to be responsible for selection of the performer, and to ensure that the appropriate

procedures or methods are used by the performer, that the resulting service is of acceptable quality and meets a recognized need, and that the public funds are spent in accord with the terms of the contract."³⁸

PVOs have often expressed the view that the issue is not whether accountability is needed, but what reasonable accountability expectations are.⁷

PVOs endorse AID's right to audit their books and records and understand AID's need to conduct operational audits, so long as they do not invade the PVOs' private sphere of operation. However, some PVOs are concerned that AID might move beyond fiscal review of U.S. Government funding to other PVO resources and activities. As independent agencies, they feel a need to protect their privateness. "AID's accountability responsibilities ought to be limited to a prudent scrutiny of PVO use of AID funds."¹

Issue Two: Priority Development

How can PVOs maintain their unique identities and their own priorities while being responsive to and cooperating with the U.S. Government's priorities?

It has always been difficult for AID to strike the right balance between partnership with PVOs as private and independent entities and partnership where PVOs are carrying out AID-conceived programs.

On the other hand, PVOs find themselves limited by restrictions on the use of AID funds in some countries which, for geopolitical reasons unrelated to their humanitarian and development objectives, have been designated off limits for government-supported PVO assistance.⁵⁰

Independent Agent or AID Intermediary?

Relating to AID both as independent agents and as AID intermediaries can cause a conflict in priorities for PVOs.

Channeling U.S. Government funds through PVOs to accomplish certain foreign assistance objectives predates the Foreign Assistance Act of 1961. In May 1946 the President directed the establishment of a committee whose purpose would be ". . . to tie together the governmental and private programs in the field of foreign relief and to work with interested agencies and groups."⁵³ The committee that resulted, and which continues today, is the Advisory Committee on Voluntary Foreign Aid.

The concern over whether PVOs should be independent or should be AID intermediaries has continued throughout this history. By 1975, the Senate Appropriations Committee report on the Foreign Assistance Bill expressed its concern over the co-opting of PVOs:

"We are concerned, however, that a relationship which too closely joins the Private and Voluntary Agencies with AID may erode the unique character of these organizations. We are fearful that a relationship which involves joint planning and operations will lead to the bureaucratization of these organizations whose strong point has often been their ability to reduce administrative costs and to avoid administrative entanglements.

"The Committee view is that AID should act as a clearinghouse for programs supported by Private and Voluntary Organizations. AID's role should be that of ensuring that sound fiscal policies are followed, and that the objectives of Private and Voluntary Organizations are in accord with those of the United States and the recipient countries."⁵³

By 1977 Congress took the first step to ensure that PVOs were not totally dependent on AID by establishing a financial criterion for partnership represented by the current 20% rule.

Yet as AID moved from a relief orientation toward a development orientation, AID increasingly utilized PVOs as intermediaries to implement mission programs.⁴³

"PVOs face a multitude of pressures to transform themselves into AID intermediaries, thus losing the dual relationship. Such pressures are inevitable, given the inequality of the partners -- a multibillion dollar agency of the U.S. Government and small, private institutions with budgets seldom exceeding \$25 million. It is doubtful that some PVOs can insulate themselves from the momentum toward dependency relationships."⁵²

"Increased government funding was one factor encouraging the earlier move away from welfare activities, requiring as it did that agencies adopt the more close-ended, explicit and manageable project format."¹²

Some PVOs have been encouraged by AID to become more developmental by diversifying into other areas. The broadness of the new developmental approach of some PVOs may be diminishing their ability to do effective projects.³⁹

Financial dependency on AID has led some PVOs to focus on what AID wants rather than identifying and responding to the needs of their target communities.⁵² "To the extent that a donor provides major funding to a given PVO, the potential for influence on the PVO's policy . . . is large."¹⁸

Policy Formulation

Rather than being driven by priorities determined by their own boards of directors, many U.S. PVOs are driven very much by AID.¹⁸ According to some, this is their fault, not AID's.¹⁹ Indeed, nearly half of the PVOs responding to the recent mission director/PVO survey which are expecting changes in their program emphasis attributed it in large part to expected increased AID support for a particular program or project.¹³

But in such cases PVO programming decisions must await AID deliberations, and changes in AID priority may affect project funding and thus dependability of PVOs to their beneficiaries.⁵² Changes in AID's priorities leave PVOs unable to meet local expectations encouraged by AID's proposal development process, damaging local relationships. PVOs have been told that "while the[ir] proposal constitutes a most worthwhile endeavor, it addresses an area of concern which is not currently regarded as a developmental priority of the USAID."¹⁷

An issue of great concern to PVOs, as well as to indigenous PVOs and NGOs, is the potential conflict between public policy and development "messages."³⁰

PVOs need to increase their own understanding of some of the macro public policy issues which go beyond the locales in which they work. Having analyzed these policies and how their own values, missions, and objectives relate to them, they need to seek to influence those policies by educating their constituencies, the public, governments, and international agencies by advocating those changes which will provide a supportive policy environment for their development activities.²⁰ Too often the beneficial effects of projects or programs at the micro level are negated by the impact of such macro policies as restrictive trade barriers or government austerity measures.²⁰

The collaborative relationship between AID and PVOs does not mean that a PVO must always work in the same sectors and the same geographic regions that AID does.⁵¹ "A PVO might well work in a region or sector where AID is absent, thereby expanding the scope of AID's total development effort in a country."⁵¹ In some cases AID explicitly supports this expanded development focus through centrally supported grants in AID countries where a PVO may not have mission funding for such activities.

However, since AID and PVOs are jointly funding projects, a change in AID priorities can prevent project success by terminating AID funding, regardless of project success to date.⁵² As the GAO noted, "too frequently, AID decisions dictate PVO actions. Such situations call into question PVO autonomy and, in some

cases, a PVO program purpose.⁵² As one interviewee noted, "A reason to insist on PVO private funding and commitment to projects is precisely to avoid the situation where a good project can't be continued because AID money is not available."

There have also been instances where project design suffered because PVOs took the easier route of adopting designs suitable to AID rather than incurring further delays.⁵²

Because of many critical implementation problems which may arise from AID policy, PVOs have a responsibility to identify the consequences of certain policies on project implementation and, through their partnership with AID, inform AID of possible undesirable ramifications and suggest appropriate policy adjustments.²⁸

Innovation

Many PVOs have allowed the new activities and directions they undertake to be shaped by AID's priorities. Some studies have found that new PVO programs have been shaped more by governmental interests, priorities, and funds than by experimental and innovative initiatives of PVOs.³⁹

However, there is evidence of beneficial effects. An interesting finding of one study was that, contrary to PVOs' own self-description, the PVOs that were innovative tended to be the largest, most bureaucratized and the most professionalized of the PVOs.³⁹

Constituency Base

Overreliance on AID's priorities may distance PVOs from their constituents as well as their own mission.

It is possible for PVOs to be caught between the perceptions of their constituencies and the expectations of their governmental donors.

"[PVOs] are tempted to neglect their traditional constituencies and value bases and to rely increasingly on government."¹² Approving reference to a PVO's "professionalization" can be a reflection of the organization's loss of contact with its own base: a shift in the relative power of staff versus volunteers, a decline in fundraising or the absence of an organizational ethos and a growing concern with administrative procedures rather than program results.¹²

One way in which PVOs distinguish themselves from other AID contractors is through their ability to represent an informed development constituency. Having a constituency, and especially an informed constituency, is one means of assuring privateness and maintaining a sense of unique priorities.

Issue Three: PVO Capacity Building

What mix of AID policies and support will strengthen PVOs institutionally?

In working with local organizations to improve their management capacity, U.S. PVOs have been confronted with questions regarding their own managerial effectiveness. Speculation on the advisability of allocating a significantly larger share of development funds through PVOs has raised the issue of whether and to what extent these organizations have the capability to manage these additional resources.³

The issue, which was framed in 1980, remains:

"What are the optimum levels of government funding for PVOs that will enable them to do what they want to do and be the kinds of organizations they want to be while still retaining their independent and private nature?"⁵⁰

It may still be true that "many parts of AID doubt that there are 20 PVOs which are capable of programming and implementing overseas development activities with minimum AID oversight."¹¹

When asked to cite highly effective organizations, interviewees seldom listed more than five and these, in most instances, were the same PVOs.

Time Frame

PVOs view capacity building as a lengthy process which cannot be compressed into the span of a single one of any of AID's current funding mechanisms. AID is legally precluded from making grants for a period longer than 10 years, though it seldom makes grants for more than five years. In order to have continuous funding for longer than five years, a series of grants is required.

PVOs involved in a recent survey suggested that AID could make multi-year grants with a greater recognition that they are supporting a phase of a long-term process--perhaps as long as 15 years--rather than with the expectation of seeing a fully sustainable affiliate institution at the end of five years.²⁷

PVOs in this same survey expressed frustration in carrying out institutional development in a donor environment which emphasizes short-term funding and a focus on discrete projects rather than on

the process of institutional development which requires technical assistance, training, information sharing, and other such activities for which funding is much harder to obtain.²⁷

PVOs recognize that they can be most effective when a stream of benefits over a long time period is built in at the beginning of any program.¹⁹ However, the "pressure for timely delivery of goods and services"⁵⁴ has too often been exerted by AID. "Success of AID projects is measured in terms of how effectively funds are used during the project period."⁵⁴

Donors and villagers alike pressure PVO staff to come up with something visible right away; staff gets pressured into "doing something" before their terms expire.³⁹

AID's priority is for projects which lead to measurable results in the short term. AID's insistence on short-term results under the current contracting and grants requirements may inhibit the sustainability of projects after AID funding ends. AID's "lack of incentives" to support project benefit sustainability are a matter of concern to PVOs.⁵⁴

Yet, as one interviewee noted, AID and PVOs both are getting more sophisticated about what financial and institutional sustainability consists of, but to say that AID does not encourage investments in sustainable activities is inaccurate. The interviewee further suggests that too little emphasis has been placed by PVOs on financial sustainability of their projects. They cannot rely on the U.S. Government for financial sustainability; they are dependent if they do.

Current Funding Mechanisms

Current funding mechanisms do not always build PVO capacity, although existing grant mechanisms provide "ample scope" for AID financial support to PVOs.²⁸

AID is still trying to find the appropriate funding mix between programs which use existing PVO capacity to undertake field activities and those which build or strengthen PVO institutional capacity.¹¹

Problems which do exist lie in the application of the various mechanisms, such as where AID contract-like conditions are added to a grant:

"The use of an assistance instrument when a contractual relationship is intended encourages the application

to assistance of procurement principles for contracts, such as specified performance requirements, the unilateral right to make changes in the work . . . and more rigorous rules regarding the competitive process."²³

The idea of "partnership" has not always filtered down to the field, and intended autonomy for PVOs has frequently been undermined at the project implementation stage.⁴⁹

AID has recently introduced umbrella grants, REIs (Requests for Expression of Interest), and RFAs (Requests for Application). Currently, umbrella projects and grants, aimed at lessening the management burden on USAID missions and on strengthening indigenous PVOs, serve only one country. Some cover only a single sector while others have covered several sectors.

Several additional alternatives have been proposed for umbrella grants²⁸:

- multi-country umbrella projects
- regional grants to consortia of PVOs
- regional grants to PVO(s) to provide institutional development assistance to indigenous PVOs
- regional grants to individual PVOs.

The recent mission director/PVO survey recommended that PVC modify its major program of central funding for PVOs to emphasize strengthening PVOs' managerial and technical capacity and developing new areas of competence over direct support of discrete country projects.¹³

Control

PVOs seek less control from AID and AID missions and increased opportunity to enhance their capacity to manage projects.

Very few AID officials at the mission level view PVOs as an integral part of the overall development process.²¹ But those who do foresee increased mission funding of PVOs as opposed to central funding from PVC and in turn want more control over the granting or lending of those funds.

Over half the mission directors responding to the recent survey¹³ expressed the desire to become more involved in PVO activities at the country level. They recommended that they be given a greater role in the approval, administration, and supervision of projects. There were several comments to the effect that all im-

plementation responsibility (including the release of funds) should be shifted to the field, and even that all approvals be shifted to the missions.¹³

There were repeated observations that, since host governments and AID/Washington turn to the missions to solve problems arising in connection with PVO activities approved and funded by AID/Washington, it is thus appropriate that the mission have the predominant role in the approval and supervision of those activities.¹³

PVC, as a centralized funder, will not fund a PVO to work in a country without receiving mission approval in writing in advance.

Of the \$422 million AID funding in FY 1987 for all types of PVO activities, including those funded through Economic Support Funds, less than 10% is provided centrally through PVC. The vast majority of funding for PVO activities flows through missions or other central and regional bureaus. The centrally funded grants tend to give more prominence to PVO-determined programs through a competitive process, but also require at least a 50% cash match by the PVOs. Other bureaus and missions have varying PVO matching requirements though all AID grants require a 25% local contribution (in cash and/or in kind) in accord with the Foreign Assistance Act.

The use of the different funding mechanisms also raises an interesting issue about the appropriate level of AID control: "if AID is providing funds so that the PVOs can carry out their own programs, then the presumption is that the PVOs can do so without a great deal of AID oversight or other involvement."³⁵ Said another way, AID channels money through PVOs "because they are said to be good at being left on their own and getting things done."³⁹ This could mean a low frequency of monitoring interventions and demands combined with periodic comprehensive evaluations.^{39, 47} "AID should not attempt to standardize PVO operations, but increasingly should allow PVOs to decide when, where, how and with whom to conduct them."⁴⁷ The issue of how much independence private groups should be given in carrying out their own programs with AID funds is still being resolved.

Institutional Strengthening

Over the last six or seven years AID has been seeking to diminish PVO dependence on U.S. Government funding while building PVO capacity to manage, staff, encourage private funding, and expand in an administratively sound manner.¹⁶ For example, one PVO, with assistance from AID's Child Survival Program, has emerged as a leader in developing innovative management information systems.⁴¹

At one time (1982) various AID bureaus recommended that institutional support to PVOs be provided on a limited basis for a specific area, such as evaluation or financial management, rather than as general multi-year strengthening grants.¹¹ AID stated in its 1982 policy paper that it deliberately shifted away from just PVO capacity-building programs and toward linking capacity to the actual delivery of PVO field programs in order to be responsive to congressional concern to increase PVO involvement in overseas development. This shifted emphasis "aims to preserve the private and voluntary character of PVOs and the unique contribution they can make to development."¹¹

Policy Dialogue

PVOs have increased their institutional capacity to engage in policy dialogue. Policy dialogue is an area of growing interest for AID and PVOs,³ and also is of concern to the Advisory Committee on Voluntary Foreign Aid. For example, several AID-supported PVO health and nutrition programs involving policy dialogues with various governments have been instrumental in encouraging health ministries to seek fuller participation of the private sector.⁴²

It seems that AID respondents to the 1987 survey of USAID mission directors and of PVOs might not be aware of some PVO activities having an impact on government policy and that PVO interest in leveraging policy changes may, in fact, be somewhat new within the PVO community.¹³ Some 5% of responding mission directors felt that PVOs lack leverage with host country governments. Indeed, a 1986 document also claims that "PVOs are not generally considered to have major impact on government policies."⁴² AID still sees itself as the exclusive entity directly engaged in policy dialogue at the national level. However, AID officials interviewed saw a role for PVOs at the grass-roots community and district-wide levels.

Some people are questioning the classical assumption that aid to

and through governments is the most effective means of achieving foreign policy goals.

To the extent that PVOs act to influence governmental policy and effect structural reforms, are they undercutting their comparative advantage at the grass-roots level?² How can PVOs achieve a balance between "invisibility" and "influence?"² Is there an associated danger that PVOs will lose their independence, autonomy, and flexibility if they attempt this larger, more ambitious role?² Should and to what extent can PVOs pool their influence in consortium arrangements to influence policy positively?²

A recent study claimed that increased visibility and association with government will extract a cost to the flexibility and innovation that derive, in part, from PVO independence and relative invisibility.¹⁸

Another issue is whether PVOs can be effective agents for policy reform at various governmental levels in view of their limited financial resources and limited access in most cases to policymakers.² Do PVOs have the analytic and strategic planning capability to work effectively at the policy level?²

It might be helpful to examine further the circumstances under which PVOs have been effective in engineering structural change and the institutional and contextual characteristics that appear to be associated with success.²

Issue Four: Relationships Between U.S. and Indigenous PVOs

What is the best approach for encouraging the development of indigenous PVOs?

- Should AID fund indigenous PVOs directly through missions?
- Should AID fund indigenous PVOs indirectly through centralized grants to U.S. PVOs with ongoing relationships with indigenous PVOs?
- What are the implications of funding indigenous PVOs directly or indirectly in terms of AID's development objectives and its primary relationships with host governments?

U.S. PVOs are concerned about direct AID involvement with indigenous PVOs.* It is AID policy to support the development of local PVOs, institutionally and/or as implementors of development activities, either directly or indirectly, through U.S. PVOs or other implementors, whichever is deemed most appropriate by the local AID missions. There were 287 indigenous PVOs registered with AID as of April 1988. AID's policies have never defined the extent to which support for indigenous rather than U.S. PVOs is appropriate to achieving its objectives.⁵²

* For purposes of discussion, "indigenous PVOs" will include non-AID-registered NGOs.

Institution-Building and Project Funding

Just as with U.S. PVOs, AID should achieve a balance between institution-building and project funding of indigenous PVOs.

A 1979 study suggested that AID's policy for indigenous PVOs might place a greater importance on grants to increase the capabilities of indigenous PVOs and that grants should reflect a considerable amount of flexibility, financing "activities" that assist the development of indigenous PVOs, even if they do not fit neatly into "project" formats.²¹ This point has been reiterated: "Funding agencies should recognize that the [indigenous PVOs] need long-term support to facilitate institution-building and the formulation of overall strategies. Project grants are insufficient."²⁰

AID needs to decide how it can be effective in supporting community-based development initiatives in view of the funding cuts which have reduced its capacity to make small grants on a flexible basis in support of program operations.³³ "For AID to be effective in supporting such transformation it would need to focus more on institutional change rather than on specific project outputs."³³

PVOs have made a large and successful investment in the human resource development of local affiliates and organizations.²⁷ The results in terms of staff development in their affiliates are impressive.²⁷ "PVOs have an appropriate long-term commitment to the development of these affiliate institutions."²⁷ However, PVOs have given relatively less attention to installing management systems than they have to the development of people and groups.²⁷

Indigenous PVO Autonomy

AID's assistance to indigenous PVOs may impair their autonomy.

AID's normal government-to-government operating procedures compel some level of communication and/or approval by host governments. Many indigenous PVOs still jealously guard their autonomy within their own country and take a dim view of checking in with government officials.

In other instances, indigenous PVOs enjoy considerable freedom of action as a result of strong support from international donors. Their governments may also be heavily dependent on the same donors. Thus, a shift of aid from public to private channels may encounter government resistance.⁴⁰

Many indigenous PVOs, though, have ambivalent relationships with their governments as they challenge policies while seeking financial support at the same time.⁹ Indigenous PVOs often accept money from PVOs to carry out development programs but spend the money largely to create community empowerment. They cannot openly say what they really do because they would risk the actual and potential legitimacy they seek from their governments.⁹ In these situations, accepting funding from AID could exacerbate the problem of needing both cooperation and confrontation with their governments.

Yet, as with U.S. PVOs, there is a tendency for donor funding to co-opt indigenous PVOs from more basic social agendas to which indigenous PVOs have a distinctive commitment that donors do not necessarily share.³³ As the head of Dutch aid warned in 1982:

"... [The] corruption of [indigenous PVOs] will be the political game in the years ahead--and it is already being played today . . . NGOs have created a huge bureaucracy, employment is at stake, and contracts in developing countries are at stake. It will become impossible for them to criticize governments for decreasing the quality of the overall aid programs. [Indigenous PVOs] will lose in the years ahead . . . they will be corrupted in the process, because they will receive enough money for their own projects but the rest of the aid programme will suffer."⁹

Direct support of indigenous PVOs also raises the issue of resistance to relating to the U.S. Government. Funding of indigenous PVOs directly would appear to rest largely on AID's assessment of the foreign political risks involved.³⁵

Funneling development assistance through central governments and national bureaucracies has in many cases encouraged the centralization of power and fueled expansion of the public sector. It has contributed to the bureaucratization of the countryside in countries where villages were traditionally the economic unit. This has meant that development packages have often been fatal to the nurturing of local initiative.³⁷

There are inherent limitations faced by AID in addressing the need to develop institutional structures more supportive of local initiative and development resource mobilization.³³ Indigenous PVOs, in their vast variety of forms, are a fundamental expression of the right of free association and an instrument through which the people demand that governments recognize that right.³³ But,

"While it can be argued that the creation of pluralistic democratic institutions is a universal human concern that transcends nationalism and national sovereignty, there is no reason to expect that those who see the

development of democratic institutions as contrary to their interests will willingly accept this argument. Furthermore, after years of manipulation by foreign interests, there may be understandable suspicion of the motives of foreigners messing around with the development of the governance structures of their organizations—even among those committed to the democratization agenda.³³

Not only might AID be substantially constrained by the indigenous PVOs in directly assisting them in institutional catalyst roles, governments which have little difficulty with AID's channeling funds to indigenous PVOs for service delivery functions are likely to see any efforts to provide direct assistance to indigenous PVOs engaged in institutional catalyst roles as unacceptable intervention by the U.S. Government in their internal affairs.³³

PVOs, on the other hand, have taken a long view of their institutional development role. They view as essentially indefinite the period in which a parent PVO provides a range of specialized training, technical assistance, and networking. They also view this process as a cost-effective means of protecting their up-front investment.²⁷

Some have seen a trend developing among PVOs to emphasize financial autonomy at the beginning of the institutional development process rather than wait until a grant is not extended. These observers claim that even indigenous PVOs long dependent on support from their parent PVO/AID have moved quickly to being largely self-sufficient as a result of concentrated technical assistance by their parent organization in the area of resource mobilization during the transition period.²⁷ "As a result the local organizations have 'graduated,' not become orphans" when forced to confront AID budget cuts.²⁷

However, others claim that not only have U.S. PVOs become overly dependent on AID funding in too many cases, many PVOs give regular lip service to the notion of the autonomy of local institutions without providing assistance to develop their capacity to generate future financial support.⁵⁴

PVOs and Indigenous PVOs

There are pros and cons to using U.S. PVOs to carry out AID's programs for indigenous PVOs.

Only 6.3% of PVO respondents to a 1987 survey of mission directors and PVOs felt that AID's increasing use of indigenous PVOs has fostered competition with indigenous PVOs.¹³

However, funding to indigenous PVOs channeled through U.S. PVOs already providing technical assistance could tend to confuse the relationships between indigenous PVOs and the providers of this assistance. It could also undermine the recipient perception of the PVOs as independent.²⁵

Service Provider or Catalyst?

AID needs to achieve a balance between viewing indigenous PVOs as inexpensive service providers or as catalysts (in selected countries) in the creation of pluralistic institutions to establish a basis for economic and political democracy.^{33, 9} If it chooses the latter, AID needs to decide what it means for its relationship to those indigenous PVOs that are committed to playing that catalyst role. But even within AID, the view on the strategic choices involved is likely to differ between individual missions and bureaus. "In the absence of a considered choice, the tendency of AID . . . is likely to be in the direction of the service provider option."³³

It may not be possible to spell out a specific strategy for supporting indigenous PVOs to assume more strategic roles. Indeed, empowerment is a fine concept, but much of the PVO and indigenous PVO community has not yet thought it through either to the point of really drawing up tactics, alliances, and plans.⁹

Rather, such strategies may have to be developed on a case-by-case basis. To the extent that PVOs use these openings skillfully, they may be able to move nations in the direction of developing more open and democratic societies that unleash the social energy of their people.³³ "AID may be limited to assistance that might speed the process of developing [indigenous PVOs] with the necessary competence and experience to assume such roles in the hope that one day they may choose to do so."³³

With a decline or, at best, a leveling off of resources available for U.S. economic assistance, interviewees see the development of indigenous PVOs as a primary means for building the replicability of projects and programs. There is a widespread belief that U.S.

PVOs, through institution-building of indigenous PVOs, should exist "to work themselves out of a job" as direct service providers. As one interviewee said, "To decide to have children is to decide to let them go." Indigenous PVOs are seen as the wave of the future and almost as a moral imperative to "top down" development strategies.

At the very least, AID can underwrite the technical assistance and training needed to attract and utilize other resources.

Future AID/Indigenous PVO Relationship

AID should clarify how it intends to relate to indigenous PVOs in the future.

The 1987 mission director/PVO survey concluded that "A.I.D. and the PVOs should continue and expand efforts to examine roles of U.S. PVOs relative to increasing capacity of local/indigenous PVOs."¹³

Approximately two-thirds of the PVOs responding to the same survey did not feel mission activity with indigenous PVOs has had any measurable impact on PVO relationships with USAID missions.

Only 6.1% of the mission directors responding to this survey¹³ anticipate more use of indigenous PVOs in the future. Some missions work only with indigenous groups; others channel all assistance to local groups through PVOs.⁵²

It has been suggested that it would seem to make considerable sense for AID to channel resources through independent private, or quasi-private, institutions that can provide sustained and specialized attention. "In the interests of pluralism, and as a means of reducing political sensitivity, it is probably desirable that such assistance be channeled through a number of different U.S. organizations, even within individual countries."³² Funding through private channels, outside the government-to-government relationship, can assist the growth of the private sector.

PVOs have the further advantage of being able to work with organizations which are not sufficiently developed to handle all but very small grants or to meet AID administrative requirements. PVOs may also work with groups which would be unlikely to come to AID's attention.⁵²

Issue Five: Development Education

- What should AID's and PVOs' roles be in building both a general constituency and leadership consistently supportive of long-term development efforts?
- Within that context, what should PVOs' role be?
- How should PVOs relate development education to fundraising?
- How can public support for relief be translated to support for development and even for the development of indigenous PVOs?
- Should AID move from a catalytic role in development education to encouraging the institutionalization of development education programs? If so, is AID the appropriate U.S. Government entity to do so? How can this program be integrated and coordinated with the U.S. Information Agency, Department of Education, and U.S. Department of Agriculture? Is it time to move this from an experimental program? If so, can sufficient resources be mobilized to achieve this?

Reaching the leadership and the broader public in the United States on the issues of sustainable development, developing countries, and development assistance is an immensely difficult task.¹⁵ A recent ODC/InterAction study¹⁵ suggested that the public is willing to learn more about developing countries and to support development assistance if the information and requests are related to their own lives, self-interest, and values and come through channels they regard as credible. It clearly revealed the need to give special attention to educating Americans about the links between their own economic well-being and economic development in the developing world. Only half the U.S. public favors government foreign aid or economic assistance to the Third World.³¹ Congressional aides and legislators surveyed as part of

the same study felt that Congress perceives development assistance as an issue without a constituency and attaches a correspondingly low priority to efforts to reform or increase it.¹⁵

One experiment was conducted to challenge the widely held belief that newspaper readers are not interested in stories about the Third World. In it, a well-known development educator and author spent several months in small cities in various parts of the country uncovering local links to the developing world, writing about them and then persuading the editors of local newspapers to publish the resulting articles. The series invariably disclosed a broad range of ties and provoked wide interest as readers discovered that Third World connections were crucial to their own life and economy.³⁰ His conclusion is that "there's a tremendous reservoir of good feeling out there. It is for the development educators to find it and tap it."³⁰ There is a "potentially enormous constituency for international development—but it cuts across lines and is broadly based . . . it provides a great base to build on; this is our opportunity."³⁰

Other studies show that media organizations generally are not prepared to cover global events in ways that can help Americans understand the trends and forces behind the events that directly or indirectly affect their lives.¹⁵ Many media activities are currently under way, however, that are attempting to present to a wide public stories that focus on the relationships among environmental, development, and population issues.³⁰ One challenge to PVOs is to broaden the constituency for such programs.

Although development education remains a relatively small part of AID's PVC program (\$3.0 million is budgeted for FY 1989), AID considers the program critical in helping to stimulate a commitment of the U.S. public to international development. AID sees its role primarily as a catalyst to leverage other resources. PVOs can claim certain accomplishments, though.³¹ They have:

- built some knowledge and skills
- begun to form alliances and coalitions
- developed literature
- built organizations at the grass-roots, regional, and national levels
- developed curriculum guides
- forged links with many others, including journalists and trade organizations.

The task for the future has been defined as one of "sharpening our tools and our skills."³⁰

AID officials express a deepening concern about the lack of development education activities by some PVOs. They are begin-

ning to view effective development education as fundamental to the organizational missions of PVOs. This concern may influence their decisions with respect to future funding. Performing development work is seen as a "privilege" which bears a concomitant responsibility to educate and inform. "PVOs should take the development education task very seriously because they probably are the only ones who will make a difference," one official said.

Several key officials are disgruntled with what they perceive to be unsophisticated communications approaches, particularly where a PVO continues to communicate a message of relief—an action which is perceived to be motivated by a desire to generate a quick response in the form of a donation—rather than trying to increase the understanding of development issues which are central to the operation of the PVO.

Development education receives only a small fraction of PVOs' budgets. Yet the potential exists for PVOs to act alone or in concert with other groups to reach diverse audiences throughout the United States. Indeed, leaders of indigenous PVOs and NGOs and some observers of U.S. development assistance have encouraged this trend, calling on U.S.-based PVOs to reduce their development education involvement overseas and to focus instead on development education in the United States.¹⁵

Government officials, too, have begun to "realize that 'their decisions are being made without adequate public understanding of the consequences of those decisions, especially when they involve choices between domestic priorities and their international consequences.'"³¹

Not only do PVOs need to make the links between the macro and micro in their development education and advocacy, they need to move away from primarily self-serving publicity and address wider issues:

"The development education agenda also moves beyond an awareness of the implications of interdependence in the spheres of trade, finance, and resources to a broader concern with the imperatives of global survival: environmental protection, demilitarization, greater justice and equity in the use of the world's resources, as the building blocks of a sustainable future for humanity. In this way, development NGOs [PVOs] find common cause not just North/South but also with popular movements and social forces within our own societies."¹²

The issues of environment, population, and development need to be presented as global issues, not Third World issues.³¹ Because aid programs in the past have been sold to the American public in terms of our own social and ideological values, "we have sown the seeds of American disillusionment with aid programs."³⁰

PVOs have also been encouraged to incorporate indigenous PVOs' views into their development education materials.¹⁹ Inclusion of perspectives from developing countries in development education programs can convey to the U.S. public a sense of the talent and dedication already being applied by citizens of developing countries to the solution of their problems, helping to correct the image of developing countries as dependent on handouts. Inclusion of these perspectives may also lead to linkages between U.S. development educators and emerging networks of indigenous voluntary development organizations in the Third World which contribute to more vigorous efforts by the latter to play educational and advocacy roles in their own countries.

Public expectations of PVOs in the United States are largely unchanged: they are still seen as efficient "doers," guaranteeing by their presence on the spot that needs will be met and standards upheld.¹² Yet it is important that there be a wider understanding that "'needy' Third World peoples, however afflicted by disaster, actually have cultures, history, pride and capability."³⁰ For example, in the rush for donor dollars during the African crisis, the important role played by local organizations in delivering relief was seldom highlighted by PVOs.

"Instead, they promoted their own indispensability and in doing so contributed to a public perception of Africans as helpless and incapable. Replacing this image with a view of [PVOs] as facilitators and catalysts will require a much more complex message about the nature of development needs and the relevant role of people in the industrialized countries than is presently being provided."¹²

This is a difficult assignment since objective information is unlikely to be as compelling or as emotionally persuasive as an actual fundraising appeal to a constituent.²³ There is an inherent tension between objective education and fundraising. Most people give to causes that touch them personally rather than to sophisticated programs which purport to have the capacity to solve long-term problems.^{24, 44} Yet there are those who believe that sustained support for development is simply not possible by whipping up emotions. "It is created by developing hard-headed argument, coordinated policies, thoughtful analysis."³¹

The long-term goal for the PVO community is to be supporting indigenous PVO efforts and undertaking educational and advocacy

programs in the United States which find increased support from the general public, foundations, and government and which it is no longer deemed necessary or desirable to cloak under "public information," "fundraising," or "revenue generating."³¹

APPENDIX B

NOTE: The following is a guide used for 20 in-depth interviews with senior AID and development professionals during July 1988.

INTERVIEW GUIDE

Introduction

Introduce interviewers and tell interviewee the nature of the project, a research process leading to "analyzing opportunities and options for the PVO/AID relationship in the 1990s."

The interview is to last 45 minutes to an hour and there are no right or wrong answers. No quotes from the individuals interviewed will be attributed by name in the final document, so that interviewees may speak freely. The questions are prioritized. The purpose is to probe views in depth. The goal is to facilitate a detailed response.

. . .

1. First of all, what are the big problems or opportunities you face in your job today? What problems or opportunities do you expect to face in the future? How can a collaborative process to analyze opportunities and options for the PVO/AID relationship in the 1990s help you confront your problems/opportunities?
2. In your experience, how has the relationship between PVOs and AID changed? Over what time period have you observed this relationship? What key trends do you perceive? What fads have you witnessed? How are the issues between PVOs and AID different today than they were ten years ago, five years ago? How will they change in the future?
3. What do you think the relationship should be between PVOs and missions, regional bureaus, PVC, and S&T?
4. How does U.S. Government support enhance the effectiveness or efficiency of PVOs? In what ways does U.S. Government support adversely affect PVOs' effectiveness?
5. Are PVOs becoming more effective as economic development organizations? Are they becoming better managed? What proof do you have to support your view? Are there particular studies or analyses which illustrate this?
6. What role has AID had in strengthening or weakening PVOs:
 - as development entities (their ability to deliver services overseas)
 - in their managerial capacities (both organizationally and with respect to their development focus)
 - in their ability to identify, define, and deliver their unique characteristics and benefits (with respect to their overall organizational goals and philosophies)?
7. What ideas do you have to simplify the relationship between AID and PVOs?
8. Do current procedures adequately protect the U.S. Government and its concerns for accountability? Illustrate.
9. If you could make three changes in the AID/PVO relationship in the next decade, what would they be?
10. Do you think the 20% privateness test adequately protects the independence of

PVOs? Why? Can you suggest other ways of assuring privateness?

11. In the PVOs you supervise, how many would you say work closely with governments and how many work outside of government in the context of country governments?
12. Describe how the PVOs you supervise relate to indigenous PVOs. How has this relationship evolved, and how do you see it changing?
13. What is the relative success of those organizations working closely with governments and those working outside governments?
14. Which organizations from your experience would you describe as the most effective? What similar attributes do they have? Why are they more effective than others?
15. Within the context of total U.S. foreign aid delivery, will PVOs play a role of increasing or decreasing importance in the 1990s? Describe your rationale for your belief. What will be the barriers to improving their effectiveness? What can facilitate their becoming more effective?

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