

Advisory Committee on Voluntary Foreign Aid

**The New Independent States and the Implications for
Private Voluntary Organizations**

**Quarterly Meeting
February 25 and 26 1992**

EXECUTIVE SUMMARY

A. Introduction

The Advisory Committee on Voluntary Foreign Aid (ACVFA) met on February 25 and 26 in Washington, D.C. to discuss the extraordinary challenges currently facing the New Independent States (NIS) of the former Soviet Union and to better understand the important implications of these developments for private volunteerism and for American PVOs.

This meeting of the ACVFA was originally intended as the second in a five meeting series which would focus on the changing nature of the A.I.D./PVO partnership and would re-examine the policy structure which guides that relationship. However, because of the urgent nature of the situation in the NIS and its importance to American PVOs and to the Agency, the Committee decided to deviate from its planned sequence of meetings and insert a special session which would deal solely with conditions and developments in this area. It was also felt that a better understanding of how A.I.D. and the PVO community cooperate in the NIS would deepen the Committee's insights into some of the operational issues that are faced in the PVO/Agency partnership, and provide the Committee with a tangible case study of how the Agency and the PVO community identify points of comparative advantage and structure mechanisms for working together.

Attached to this Executive Summary is a copy of a letter from the Chairman of the Committee to the Administrator of the Agency that summarizes a number of the key points which were developed during the discussion. Through the letter, the Committee makes a number of broad recommendations regarding mechanisms and approaches that the Agency can employ to more effectively tap the capacities of the private voluntary sector.

This is a thematic summary of the proceedings of the meeting. It is designed to highlight the major points and the central themes which emerged from the presentations and subsequent discussions between presenters, Committee members and public participants. The Summary is divided into four sections which correspond to the

content of the material which was presented and discussed, rather than the sequence in which they were discussed. They are:

- The current situation in the NIS.
- The transition from emergency relief to long-term technical assistance.
- The role for private voluntary organizations.
- Operational implications for the A.I.D./PVO relationship

B. U.S. Relief Objectives and an Overview of the Current Economic Situation

The following summarizes the major points made during the presentation and follow-up discussion. In particular, it draws upon comments from Ambassador Robert Barry, Ambassador Richard Armitage, A.I.D. Assistant Administrator Andrew Natsios, A.I.D. Assistant Administrator Carol Adelman and James O'Heara.

Ambassador Barry outlined the principle objectives of U.S. assistance to the NIS. These include:

- Support and consolidate the important reforms that have occurred in Russia and promote similar efforts elsewhere in the former Soviet Union.
- Promote de-militarization.
- Promote human rights and support humanitarian efforts to alleviate suffering.
- Stimulate U.S. trade, investment and longer term commercial relationships to the mutual benefit of all.

The present U.S. assistance effort is significantly different from the Marshall Plan. The Marshall Plan involved a process of rebuilding an infrastructure that had recently been in place. It was based on an existing institutional system; a set of values and a legal system which were harmonious with a massive reconstruction effort. The present effort in the NIS is in many ways more challenging since much of the basic infrastructure has never been put into place. Parts of the former Soviet Union are comparable to underdeveloped countries. Unlike the West, the Soviet Union moved directly from feudalism to communism. As a consequence, the systems, structures and market mechanisms are rooted in attitudes and values which are not always compatible with individual enterprise and a competitive open market system. However, on the positive side, in 1948 there was a severe shortage of private investment capital in the West. Currently,

there appears to be adequate private capital, provided the investment climate within the NIS becomes satisfactory.

The key word today in the NIS is "survival". The current conditions in the NIS are extremely difficult, though much worse in some areas than in others. Despite considerable opposition, Russia has come a long way toward installing an effective open market system. In the other states, progress toward a functioning market system is mixed.

The first and immediate relief priority must be given to stabilizing the situation -- stanching the hemorrhage -- through emergency food and medicine shipments and the construction of a basic market structure which will be responsive to needs as they arise. For the longer term, an infusion of technical assistance will be necessary to strengthen, and in some instances create, an institutional structure and a set of values and attitudes which will produce and allocate resources efficiently on the basis of need.

It has been extremely difficult to obtain accurate and reliable information regarding conditions in the NIS. A number of assessment teams have been sent into the new republics and are just now beginning to get a reasonably accurate picture of the situation. In general terms, the overriding problem in those areas where U.S. assessment teams have been able to visit is economic rather than specifically food related. The problem is not so much the lack of food, but the high price of food relative to income. In general, inflation in commodity prices has far outstripped purchasing power. Groups at risk include: the elderly and pensioners living at home and individuals on fixed incomes; people in remote rural areas where transportation costs are very high; single women with children, particularly in industrial areas where there have been high accident and suicide rates in the male population; and, in some cases, children who may not be receiving a balanced nutritional diet. Contrary to reports in the press, institutions such as orphanages and hospitals appear at the current time to have adequate supplies of food. In general, local governments in areas visited by assessment teams have adequate warehousing and transportation facilities to handle and store food shipments.

Providing relief assistance is complex and challenging because the former Soviet Union presents such a unique situation. It is a vast area that includes remote communities which have had little if any contact with the West. In some respects, we know more about Africa than we do about the Soviet republics. Conditions among the different states vary enormously, making it difficult to get a reliable picture from one country or region to another. This is exacerbated by the deep reluctance of the people of the former Soviet Union to admit dependence on the West or that their system has failed.

The commodity distribution systems in the NIS are inefficient and unresponsive. Allocation of goods is supply rather than demand driven. Prices frequently do not reflect scarcity and there is no wholesale intermediary between the producer and the distribution outlet. As a consequence, it is difficult to measure inventory or to re-orient distribution to respond to emerging regions of critical need.

While there is no imminent threat of mass starvation or famine, there are pockets of critical need. Whether or not the food situation can be stabilized is currently unclear. Next winter may be considerably worse than this year, depending on crop outcomes, decisions by farmers, and the condition of the transportation system. There are a few signs of pre-famine conditions such as the mass slaughter of livestock and the absence of seed grains in the market. One of the worst-case scenarios is that large portions of the NIS would run out of food simultaneously. As a consequence of this vulnerable and uncertain situation, it is critically important to place heavy emphasis now on the development of an infrastructure capacity.

The break-up of the Soviet system has exacerbated a relatively ineffective health care system. Medical care in the Soviet Union had already been deteriorating in comparison with the significant advances elsewhere in the world. Life expectancy had been declining for women and had been static for men.

The current medical situation is extremely critical. There is a serious shortage of basic medicines and of fundamental health care equipment. The entire health delivery system, including hospitals, orphanages and homes for the aged, is chronically short of drugs and supplies, and badly in need of diagnostic and other equipment. While provision of emergency food is important, provision of medicine is essential.

Emergency medical interventions from donors have four objectives, including: immediate provision of emergency medicine; reconstruction of internal production capacity to supply essential drugs; assistance in design of a cost effective health care system; and, technical assistance in dealing with critical health care problems. Based upon criteria that include cost, speed and magnitude of impact, emergency health interventions have focused on dealing with respiratory diseases, immunizable illnesses, cardiovascular disease and cancer.

C. Long-Term Technical Assistance

The following comments are based largely upon remarks by A.I.D. Assistant Administrator Richard Bissell and subsequent discussion with Committee members.

A variety of concerns and conditions will affect the nature of the transition process from emergency assistance to more structured long-term technical support. A.I.D. currently forecasts a \$250 million program for FY '92 and a \$350-\$400 million program for FY '93. This involves an enormous acceleration in funding levels which would be difficult to achieve in any country, but particularly daunting in the case of the NIS, with its complex and variable conditions, lack of information and reliable data, and absence of A.I.D. missions. Factors which will influence the nature and size of long-term technical assistance include:

- **Focus** Because the NIS is so vast and complex an area, it will be important to focus technical assistance both geographically and sectorally. Even with the relatively large amounts currently contemplated, it would be impractical to attempt to cover the entire region with an assistance effort.
- **Conditionality** Policy issues which will influence where technical assistance is focussed and amounts provided include: the rate of movement toward democracy; manifest enthusiasm for adoption of a free market system; and the continual de-mobilization of the defense industry.
- **Sectoral Priority** Primary areas of focus as currently conceived include: democracy building -- including institutional strengthening and the nurturing of grass roots organizations; economic restructuring involving privatization, the design of commercial institutions including banks and equity exchange mechanisms, the provision of training and basic education in economics; support for agriculture and agri-business; and technical assistance in the energy and health sectors. In addition, there will be a major private sector initiative that will be designed to strengthen the performance of both profit and non-profit private sector institutions.
- **Implementation** It is clear that A.I.D. will have a central role in implementing this ambitious program in concert with other USG agencies. In addition, a private foundation will be established to implement the private sector initiative. The Foundation will focus on three areas: assistance to the U.S. private sector in identifying opportunities for involvement in the NIS; the provision of management training to private institutions in the NIS; and, a variety of private sector interventions designed to deal with the collapse of the social safety net.

The fact that in many cases government structures are not yet in place means that the technical assistance program will not be

structured through the traditional bilateral agreement that provides the basis for the normal A.I.D. country-to-country program. As a corollary, there will be considerable emphasis on relying on the private sector. PVOs are expected to play a particularly important role.

D. The Role for Private Voluntary Organizations

The following derives primarily from remarks by, and subsequent discussion with, Ambassador Sol Polansky, A.I.D. Assistant Administrator Richard Bissell and Committee member Tom McKay.

A.I.D. is looking to, and depending upon, the PVO community for assistance and support. Because of their flexibility and responsiveness, and the fact that they are unencumbered by red tape and formal bureaucratic and procedural requirements, PVOs are especially important during periods of uncertainty and instability.

The lack of an on-the-ground A.I.D. presence and the absence of the traditional structure of bilateral agreements with governments makes the prospective role of PVOs doubly important.

Areas where PVOs can play an important role include:

In the short- and medium-term:

- Provision of emergency relief supplies during this crisis period, particularly in remote villages and rural areas where access is difficult and will be particularly focussed on vulnerable populations who may be outside of the government safety net. (Because of the current favorable rate of exchange -- \$5.00 converted to roubles will feed a family for a month -- relief organizations, where feasible, should consider the relative advantage of direct dollar, rather than commodity support.)
- Monitoring, oversight and distribution of contributed commodities. CARE is currently playing a very important role in providing this service.

In the long-term PVOs have a critically important role to play in the development effort. The long-term needs of the NIS appear to correspond closely to the established strengths of the PVO community and to what they traditionally do best. These include:

- Helping to develop the pluralistic private sector institutional base so important to an open society.

- Introducing the concept of charitable giving and a tradition of volunteerism; particularly important in the NIS where this tradition is largely absent.
- Working in the areas of agricultural production and the design of effective, low cost health delivery systems.
- Provision of training in the areas of management, small and medium enterprise development, community organization and development.
- Ensuring and effective transition between the relief phase of assistance and the development phase.

More generally, PVOs can play an important role in demonstrating that Americans and competitive market systems have an altruistic side which complements and balances the competitive emphasis on income and profit generation. PVOs also provide an effective access to the American public and a mechanism to educate Americans on the importance of investing in the future of the NIS.

Very few Russian NGOs are operational, particularly in remote areas, and it is difficult to obtain reliable information about these organizations in order to determine whether they are legitimate and well run. There are a number of unreliable and disreputable organizations and it is very important that PVOs exercise caution before entering into collaborative relationships.

E. The A.I.D./PVO Partnership in the NIS ¹

The following are comments drawn from the Executive Business Session which took place on February 26.

Involvement in the NIS presents an historic opportunity for many PVOs. At the same time, there are significant risks. For some PVOs, heavy involvement in the NIS can divert attention and resources from established programs in Africa, Asia and countries in other developing regions. Also, the NIS presents an extremely challenging operating environment in which PVOs should be very cautious and conduct a thorough reconnaissance before committing a significant level of resources.

¹ A copy of the letter from the Chairman of the Committee to Administrator Roskens which summarizes these points is attached.

Very few American PVOs have a history of extensive involvement in the NIS. They have not built a broad U.S. constituent base for programs in this area and doing this will take considerable time and effort. Most PVOs are heavily committed elsewhere and it is not easy to quickly divert resources. With this in mind, the following considerations should guide the content of the A.I.D./PVO partnership as it relates to the NIS:

- PVOs should be actively involved as partners with A.I.D. in the programming of resources in the NIS.
- A.I.D. support to PVOs who will be working in the NIS should recognize the funding constraints that these organizations will face, and A.I.D. support should be designed to assist in developing new constituencies and funding bases.
- As a corollary, A.I.D. should avoid imposing limitations and constraints -- such as matching requirements -- which would impair the ability of some PVOs to move rapidly into the NIS.
- A.I.D. should consider adoption of a simplified set of grant making and contracting practices in order to accelerate the involvement of PVOs in the NIS.
- Funding for PVO activities should be provided directly from A.I.D.; not through intermediary organizations.
- Programmatically, A.I.D. should make a substantial commitment to support the development of a network of relationships which will provide a stabilizing framework of interactive associations and deeper interdependence and mutual understanding. The Agency should consider a grant program that would make grants to strengthen these connections in specific areas such as agriculture, development education and the establishment of linkages between U.S. organizations and institutions with cultural roots in the NIS.

In summary, PVOs have certain specific functional capacities. In addition, they have access to, and can influence public thinking and they can generate support for A.I.D. activities and initiatives in sensitive areas such as the NIS. A.I.D. should actively solicit and tap these capacities. A.I.D. should be proactive in its efforts to identify those organizations which it wants to work in the NIS, and should design and install funding mechanisms which ensure that their objectives can be accomplished.