

Advisory Committee On Voluntary Foreign Aid

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The A.I.D./PVO Relationship The Operational Aspects of the Partnership

Quarterly Meeting
May 19 and 20, 1992

EXECUTIVE SUMMARY

I. Background

The Advisory Committee on Voluntary Foreign Aid met in Washington, D.C. on May 19 and 20. The meeting was part of a five-meeting series designed to reassess the nature of the relationship between A.I.D. and the PVO community. The series is intended to provide the basis for the formulation of a strategic vision of the role that private voluntarism should play in America's foreign assistance program.

The May meeting was the second of a two meeting module designed to examine the role of PVOs from the perspective of A.I.D. The first meeting in this module examined underlying trends that will influence the shape and direction of foreign assistance programs in the 1990's, and analyzed the programmatic implications for American PVOs that appear to derive from these trends. The May meeting was structured to examine the mechanisms, instruments and procedures that are used to implement the A.I.D./PVO partnership.

The next two-meeting module in the series will examine the A.I.D./PVO relationship from the perspective of the PVO community. The final meeting in the series will summarize themes identified in earlier sessions and identify key elements that will shape the partnership during the balance of the decade.

This Executive Summary is designed to summarize the principal discussions, conclusions and recommendations that came from the meeting. It is not intended as a detailed or comprehensive listing of all items which were discussed, or as a verbatim transcript of the proceedings.

The May meeting addressed the following specific questions:

- What are the key crosscutting factors which will influence the mechanisms and instruments that A.I.D. employs in dealing with the PVO community?

- Are the mechanisms and procedures currently in place the right ones for the next decade?
- How should A.I.D. structure and organize itself to most effectively tap the capacities of the PVO community?
- What are the implications with respect to current policy regarding cost sharing, the measurement of institutional privacy, reporting and compliance regulations?
- How should the three-way relationship between A.I.D., American PVOs and increasingly competent indigenous NGOs be managed?

The meeting itself was divided into two segments. The first was designed to identify the key factors which influence the way PVOs and A.I.D. interact with each other. The second was designed to look at a series of specific issues from the perspectives of A.I.D.'s operating units.

II. A Macro View of the A.I.D./PVO Relationship: Framing the Issues.

The following summarizes principal points that emerged from the presentation and follow up discussions with Scott Spangler and Lois Richards.

Foreign Assistance is caught at an historic epoch defined by the end of communism and the Cold War, and the ascendance of democratic principles and the free market. The transition from one era to the next creates tremendous challenges and pressures. In the countries where A.I.D. operates, this is likely to be a period of civil and ethnic conflict, domestic upheaval and continued pressures for secession. A.I.D. will continue to change and adjust to new challenges and opportunities. The restructuring of A.I.D. will have an important bearing on the range of relations between the Agency and the PVO community.

The reorganization of A.I.D. reflects a concern that centralized organizations can atrophy and become obsolescent. To be effective and responsive, organizations must delegate responsibility and decision making to individuals at the lowest competent level. For institutions to be effective, it is critical that they focus on those unique skills and activities that reflect their comparative advantage. In A.I.D.'s case, its strong comparative advantage lies in the experience and competence of its overseas missions. Other federal agencies can claim greater technical skill in particular sectoral areas, but A.I.D.'s understanding of how to effectively function in a foreign culture is unique. These considerations reinforce the

importance of delegating primary operational responsibility to A.I.D.'s field missions and removing or loosening the constraints inevitably imposed by centrally managed programs.

It is critically important that A.I.D. "focus and concentrate" its program. The concept of "focus and concentrate" applies to the number of countries in which A.I.D. will operate and the number of activities which will be programmed within each country. "Focus and concentrate" is particularly important in view of the increase in the size of A.I.D.'s country portfolio (roughly 30 additional countries in the last 3 years) coupled with the reduction in operating expenses and the decline in personnel.

A.I.D. is currently engaged in an exercise using measures of need, economic performance and degree of democratic orientation that will help it prioritize and "select out" both countries and activities which do not satisfy the standards that are being developed.

Senior A.I.D. officials make it clear that A.I.D. continues to be concerned that PVOs retain their independent and private nature. To the extent that PVOs are perceived as extensions of the U.S. government, they could lose much of their validity and effectiveness in working with the independent sectors in developing countries. Over dependence on federal funding can also place an organization at considerable financial risk when government priorities shift.

The organizational and operational shifts within A.I.D. have important implications for American PVOs:

- PVOs will have to work more closely and directly with A.I.D. missions, who will have primary responsibility for establishing program direction and implementation.
- PVOs may expect to see a shift in the proportion of their funding that comes from missions and a shift toward program priorities that are formulated in the field.
- A.I.D. and the PVO community need to work out new ways of communicating and collaborating.
- A.I.D. may phase out of a country where there has been considerable interaction with PVOs and NGOs. This could have negative or positive consequences depending on the nature of the PVO program. On the one hand it could lead to a reduction in funding for PVO programs; alternatively, in the absence of a direct A.I.D. presence, there is a potential intermediary role for PVOs in filling the vacuum left by the departure.

- The restructuring of mission programs to more sharply concentrate resources and efforts can have both negative or positive consequences for PVOs. This will depend on whether the restructured program conforms to an area or activity where a PVO has established a comparative advantage.
- With regard to local NGOs, there is likely to be increasing pressure to program A.I.D. resources for these organizations for sectoral objectives that correspond to mission priorities.
- The intense constraints on A.I.D. staffing levels, coupled with the labor intensity of small grant programs to indigenous organizations, suggests that A.I.D. missions will increasingly opt for intermediaries or "umbrella" funding arrangements to provide support to local NGOs. While these may be more efficient from a managerial perspective, they restrain the number and type of productive interactions that the missions can have with the independent sector.

Increased levels of civil conflict and ethnic tensions, exacerbated by dismal economic and deteriorating environmental conditions, are likely to give rise to increased instances of complex international disasters that trigger displaced populations and refugee migrations. A.I.D. will continue to rely heavily on PVOs to assist with disaster relief and refugee assistance. These trends suggest that it is important for PVOs to maintain their traditional competence in disaster relief and emergency feeding while increasing their competence in disaster prevention, mitigation and preparedness. In some countries -- Somalia for example -- PVOs are virtually the only extant outside presence.

In general, there will be increased reliance on US PVOs. This may not necessarily mean that PVOs constitute a larger share of the foreign aid budget. PVOs present several very important advantages, including cost, access to local organizations, and the fact that as private entities PVOs face the market test of demand and acceptability.

III. Operational Funding Mechanisms

- A. Emergency food aid, refugees and disaster assistance**
Panel presentation from the A.I.D. Office of Food for Peace and the Office of Foreign Disaster Assistance.

There are several important trends that will influence the programs and priorities of PVOs in these areas:

- The growing role of the United Nations, as manifest in the creation of the Office of Humanitarian Affairs.
- Severe constraints on PL 480 Title II availabilities coupled with the reduction of food surplus amounts traditionally available through Section 416.
- A growing recognition of the importance of a stable and more predictable food supply to replace surplus programming which is subject to variables that are impossible to predict or control.
- Considerable attention to the design of flexible mechanisms that encourage a faster response in emergency situations. (For example: pre-negotiated grant agreements and the use of bills of lading with multiple discharge options.)
- Increasing emphasis on the complex relationship between emergencies and long term development. This is an area where PVOs could have an unique perspective and understanding.
- Growing appreciation of the importance of more training in the management of emergency feeding programs and in functioning in conflict situations.

B. Regional Bureau and Mission Funded Grants and Contracts

Two panels representing A.I.D. regional bureaus, made presentations. The presentations and subsequent discussions identified several important factors that will influence the way in which PVOs and the regional bureaus and missions will interact with each other:

- In addition to their capacity to function at the grass roots level, PVOs are increasingly used as an effective instrument for providing services that would traditionally be handled by the public sector.
- "Focus and concentrate" places considerable emphasis on the sectoral matrix each mission will use to identify its priority areas. At the country level, the question of where PVOs fit will be increasingly determined through this matrix analysis. This can have either positive or negative consequences, depending on the "fit", or lack of it, between

mission priorities and PVO programs. If there is a mutuality of objectives the number of collaborations between the missions and PVOs (NGOs) could increase.

- While US PVOs will continue to function in such areas as child survival and family planning, their role will increasingly be to build strong and lasting relationships with the local private voluntary sector. It is important that A.I.D. design mechanisms to encourage this transition. The possibility of establishing funding mechanisms through trusts and foundations is under consideration.
- There are pros and cons to direct funding of local groups through American PVOs. There is a benefit by creating strong institutional ties, tapping the experience and contacts of American PVOs and reducing mission workload. One disadvantage is that it creates a buffer between the mission and local groups.
- There could be increased funding by "co-financing projects" and/or "networking" activities that are not as labor intensive as direct funding of local NGOs. In general, bureaus and missions are looking for and designing creative funding instruments that comply with statutory and administrative regulations, while at the same time allow the missions to tap into the considerable capacities of local private sectors.
- The interest in natural resource management at the community level is likely to increase. This is an area where PVOs and NGOs appear to have an established strength. This is also true in the area of democratic strengthening and civic participation.
- There is a general tendency by missions to use a cooperative agreement funding mechanism rather than the grant mechanism. This reflects increasing interest by A.I.D. to be more directly involved in program administration. While cooperative agreements reflect the growing importance of PVOs, it is a device which inevitably involves A.I.D. in the operations of independent entities and can adversely affect their autonomy.
- The emphasis on cost sharing is likely to continue. There needs to be improved understanding of why cost sharing is employed, clarity with respect to the difference between cost sharing and dollar

leveraging, and clarity with respect to why different procurement instruments are used in different cases.

C. Central Bureau Funded Grants and Contracts

This panel addressed the A.I.D./PVO relationship from the perspective of the Research and Development Bureau (R&D) and the Bureau for Food and Humanitarian Assistance (FHA). The following principal points emerged from the presentations:

- A significant level of funding for PVOs comes through the R&D bureau (\$52 million in 1991), with about 80% of this for population programs, and the balance for health and environmental programs.
- As part of the "focus and concentrate" emphasis, the technical staffs in the regional bureaus are being consolidated in R&D. This suggests that PVOs will have increasing contact with this bureau.
- In general there is a need for more information to be provided to the PVO community regarding the activities and priorities of the R&D Bureau.
- A priority of the PVC Office is to monitor the effective independence of PVOs and, as a consequence, to administer the privacy test.
- PVC administers the Matching Grant program which to some degree can ameliorate the tensions that arise from the emphasis on "focus and concentrate". This program is closely coordinated with field missions who must approve the country portion of the grant.
- PVC has recently initiated the Outreach Grant Program for new and smaller PVOs designed to encourage and support new relationships with A.I.D.
- The types of policy issues that PVC is concerned with include whether PVOs can provide a "presence" in countries where the A.I.D. mission is phasing down or out; the size of and rationale for the matching requirement under different circumstances; and the maintenance of an effective degree of PVO institutional independence.

D. Reporting, Compliance and Contracts

A panel comprised of representatives from the Office of Procurement and the Directorate for Finance and Administration provided an overview of several issues that may affect the PVO community:

- A.I.D. has recently developed new contracting options designed to simplify and accelerate the contracting process. These mechanisms combine project design with implementation. They reflect a reduction in the role of A.I.D./Washington. The new contracts are "completion" contracts rather than "level of effort" contracts and are based on performance standards against development objectives. Because of their size and scope, a heavy reliance will be on the capacity of the contractor to manage a variety of sub-contract arrangements. Because the contractor will be involved in the design stage, it is hoped that these new mechanisms will avoid repeated project redesign. While these new mechanisms will help to streamline the procurement process, and are responsive to mission staffing constraints, they may mean that smaller, less sophisticated contractors are at a comparative disadvantage.
- Increasing reliance is being placed on cooperative grant agreements. These instruments represent a hybrid between a grant and a contract and can lead to misunderstanding unless there is clarity and agreement at the outset with respect to basic objectives.

IV. Executive Session

The Committee had informal discussions with Hariadene Johnson who heads the program function for the Office of New Independent States (NIS), with Ray Randlett, Assistant Administrator for Legislative Affairs, and with Steve Hayes, Director of External Affairs.

The discussion on the situation in the NIS dealt with A.I.D.'s efforts to design and implement programs in these countries, the role of PVOs and NGOs, and A.I.D.'s response to a recent letter from the ACVFA dealing with this subject. The discussion touched on:

- The chaotic conditions that A.I.D. faces in attempting to design a focused and coherent program,

including the fact that virtually every federal agency has some degree of interest and involvement in the NIS.

- The absence to date of an overall, integrating A.I.D. strategy for the NIS.
- The difficulty of developing a special program and strategy -- especially for PVOs, despite the fact that they are important and have a central role to play.
- Whether A.I.D. will move beyond a focus on relief and begin to encourage and support technical assistance and development programs.
- The dilemma posed by the matching requirements established by A.I.D. (A.I.D. is asking the PVO community to initiate special activities in the NIS and to orient their programs to the needs of this area. At the same time they are asking the PVO community to make a significant matching contribution of 25%. From A.I.D.'s perspective, it would be counterproductive to send organizations into the NIS to promote a stronger private sector that are highly dependent on government funds and that may not appear to be private, independent entities.)
- The importance of further meetings between the A.I.D. NIS Task Force and the ACVFA and the need for a more comprehensive opportunity for a fuller sharing of views.

The discussion on legislative matters dealt with a variety of factors that are and will shape the future direction of foreign aid legislation, including:

- The disappearance of the protective "wall" around the 150 International Affairs account and the consequent vulnerability of foreign aid to raids from domestic programs.
- The variety of congressional efforts to radically recast foreign assistance legislation and deal with the fundamental problems of the current legislation.
- Pressures on foreign assistance that seem to point in the direction of a reduced military assistance program, reduced base rights spending, the retention of a strong US A.I.D. mission structure to administer a variety of programs handled by the various departments of the government, and the possible establishment of a foundation to handle humanitarian assistance programs.

- The role of PVOs as supporters of foreign aid and the importance of generating broad based PVO support for all elements of the program, not just those portions that benefit the PVO community.

V. Summary

The Advisory Committee summarized the key themes and major sets of concerns that surfaced during the meeting. These include:

- **Focus and concentrate.** The Advisory Committee is concerned about what "focus and concentrate" really means for the PVO community. The concept is rather vague at this point, particularly in so far as sectoral concentration is concerned.
- **Expanded role for PVOs in non-A.I.D. countries.** Considerable attention should be paid to the potential role of PVOs in countries where A.I.D. is phasing down and/or out. In some instances PVOs might be able to assume the totality of programmatic responsibilities previously handled by the mission.
- **Relations with indigenous PVOs.** The Advisory Committee is concerned with how the relationship between PVOs and local organizations can be most effectively encouraged and structured. The nature of the three-way relationship between PVO's, NGO's and the A.I.D. missions needs critical attention. Staffing constraints are forcing missions to adopt a variety of mechanisms to program funds more efficiently. These pose a number of disadvantages, including excessive reliance on intermediaries.
- **Strategic vision.** The problem of forging a coherent vision regarding the role and function of PVOs at a time when A.I.D. is in a "survival mode".