

Responding to Change

Private Voluntarism

and

International Development

Responding to Change: Private Voluntarism and International Development

Error:

Page 27, "10 Largest U.S. Foundations By Total Giving" chart, line 2, Andrew W. Mellon Foundation, should read:
(Total Giving) 61,066,230; (Assets) 1,016,625,922;
(Fiscal Date) 12/31/84.

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Private Voluntarism and International Development

**Advisory Committee on Voluntary Foreign Aid
1990 Report**

U.S. Agency for International Development

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Foreword

This Advisory Committee report to the Administrator of the Agency for International Development distills the views of committee members on critical trends that will influence private voluntarism as part of the U.S. international development program.

Although the report concentrates on long-term trends, it is not a futuristic forecast of events. The developments discussed in this report are already happening and are already influencing international voluntarism. Although the future implications are less clear, the fundamental changes discussed below are, to employ Peter Drucker's phrasing, part of the "new realities."

It is axiomatic that political, social and economic developments will shape the world in which private voluntarism functions, defining boundaries and opening opportunities. Global change will shape local conditions. If American PVOs are to sustain their effectiveness, it is essential that they fully understand the context in which they function and the future implications of current decisions and plans.

American PVOs need to be persistently engaged in strategic planning, particularly when world events are accelerating, when—as is now the case—the globe seems to be spinning at a dizzying pace, blurring long-familiar landscapes. Similarly, the programs and policies of those public and private agencies that support international voluntarism must also be constantly examined and revised to reflect altered conditions.

Nothing could more sharply underscore the impact of world developments on our lives than the dramatic and unanticipated events of the last year: the "liberation" of Eastern Europe, the apparent end of the old order in the Soviet Union, the imminent unification of Germany, the constructive turn of events in South Africa and, perhaps most gratifying of all, the persistent inclination of people everywhere to turn toward more open democratic societies. These developments have completely altered the structure of international relations and the optic through which Americans view world affairs. These developments have expanded the range of opportunities and constraints facing private voluntarism and America's community of private voluntary agencies. They have also altered the underlying premises upon which this country's foreign assistance program has been built.

The integrating theme of this report is the ascendance and vitality of the world's private sector. This is the sector that provides social, political and economic choices. Ultimately freedom of choice is the wellspring of human progress. History shows that periods of true freedom are rare but that when they do occur political and economic freedom are mutually reinforcing—the enjoyment of freedom of choice in one sphere will inevitably stimulate a demand for freedom of choice in the other. Economic progress, often dramatic, occurs because people voluntarily acting together, from neighborhood associations to production or credit cooperatives to shareholders in corporations, are unleashed to solve their own problems.

The central conclusion of this report is that the fundamental conditions that have shaped and supported America's foreign assistance program have changed so dramatically that the program itself must be recast to reflect these new conditions. In a reformed program, the committee believes that private voluntary agencies can and should play a much more central role than is currently the case.

Rarely has development on a global scale had the opportunity it has now. The collapse of state-centered planning offers a new context for economic and social development. The rejection of central governments from Eastern Europe to Mozambique, combined with a worldwide resurgence of private sectors, provides us with unprecedented opportunities. No one will know conclusively until this period in our history has run its course whether the opportunities that appear before the world community today offer a genuine new threshold that will bring forward a sustained period of growth. However, current events are deeply encouraging.

The world remains a long way from Wendell Willkie's dream of a "one world," but the movement toward that vision has accelerated dramatically in recent years with the emergence of a single global marketplace, integrated monetary systems and a remarkably better informed world population. This global integration has its analogy in the area of private voluntarism with the explosion of voluntary grass-roots activity and the linking of that activity with PVOs from the developed countries. Through private voluntarism, America has a unique opportunity to reinforce a model of development that is rooted in American values and consistent with our emerging concept of our own national security.

Randal C. Teague

Chairman Advisory Committee
on Voluntary Foreign Aid

Responding to Change

Private Voluntarism and International Development

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Introduction

We find ourselves in a moment of history that brings with it unfamiliarity and enormous change. It is in this fluid context that leaders of public and private development institutions will formulate new international development policies and programs.

In January 1989, the Advisory Committee launched its strategic planning and foresight process. It was clear to the committee that it is essential for public and private development institutions to create a planning process that is both strategic and flexible, allowing for measured responses to the complex global issues we face in today's world.

During the 18-month process, the committee members questioned the status quo, explored new ideas and identified new alliances. For every issue we discussed, the realization emerged that there were domestic as well as global implications. As we move into the 1990s, global development issues will be complex precisely because they represent challenges on many levels. Change is happening on three major levels: the epistemological, i.e., having to do with our world view and belief systems; social, i.e., having to do with the external world; and internal, i.e., having to do with how we personally relate to the world.

Traditionally in the United States, it is through voluntary association that public responsibility is defined. Nowhere more than in the activities of private voluntary organizations engaged in international relief and development do we see individuals personally tackling global issues. Most private voluntary agencies were founded by individuals who saw a need and mobilized a network of caring people. This approach is at the heart of the democratic ideal. Recommendations about how private voluntary agencies can position themselves during a time of transition and respond with a new vision were the subject of our analysis and are the premises upon which this report is based.

There is a growing urgency for greater cooperation among public and private development agencies in the creation of international development policies and programs. The issues confronting us have political, social, economic, scientific and environmental ramifications. The complexity of each issue points to a need for more integrated and sophisticated approaches that allow boundary crossing, coordination and the formulation of new alliances.

Members of the Advisory Committee began this series of meetings with a firm belief in the value of strategic planning. We ended with a renewed enthusiasm for and understanding of how foresight and strategic planning can be helpful in building common agendas, common commitments and common responses.

Willie Campbell

Vice Chairman

Advisory Committee on Voluntary Foreign Aid

The Advisory Committee on Voluntary Foreign Aid has devoted five meetings over an 18-month period to the role of private voluntary organizations (PVOs) as part of the U.S. foreign assistance program. These meetings focused on the manner in which emerging international trends will influence the future content and direction of America's voluntary foreign assistance programs. The committee paid particular attention to the role that the Agency for International Development plays in supporting those efforts.

The first meeting, held in March of 1989, examined the long range implications of critical international economic issues. The second, in June of that year, explored the changing relations between the United States and the developing countries and the future shape of that relationship. The third, in September, dealt with the shifting base of public and private support for development. The fourth, held last December, focused on changing relations between U.S. and overseas-based non-governmental organizations. The final session examined global environmental issues and the growing worldwide interest in environmental problems.

The committee concluded that the series of meetings produced a better understanding of fundamental long-term trends that influence the strategic decisions of PVOs and the shape and direction of governmental programs supporting PVO efforts.

Private Voluntarism In America

"America is never wholly herself unless she is engaged in high moral principle."

—George Bush,
Inaugural Address, January 20, 1989

Three related activities—voluntary association, voluntary service and voluntary giving for public purposes—constitute what is known as the private voluntary sector. This non-profit sector is a diverse one, encompassing a wide range of institutions including religious organizations, private colleges and universities, foundations, hospitals, day care centers, youth organizations, advocacy groups, farmer associations, cooperatives, financial and credit institutions, labor unions, service clubs, political groups, cultural institutions and neighborhood organizations. In the United States, the non-profit sector interacts with the business, finance and government sectors in many ways but especially through contributions to the quality of life, expression of values, participation in the formulation of public policy and community development.

Throughout America's history, it has been through voluntary associations that public responsibility has been defined. All of the great social reform movements had their origins in the non-profit sector, for example, abolition, women's suffrage, child labor laws, civil rights and environmental protection. Americans depend on citizen participation as an accepted and vital component of democracy. A unique contribution that American non-profit organizations have made to international development is the forging of people-to-people networks exerting a "democratizing influence" worldwide.

Assistance to people in need in distant lands is a long-established U.S. tradition. Over many generations, millions of Americans have gathered food and clothing, collected money, or volunteered their time to help the hungry, the sick, the poor and the homeless in America and overseas. Frequently, this has been a spontaneous response to man-made or natural disasters. At the same time, Americans' response has been an expression of sustained concern for the long-term welfare and advancement of peoples and of ongoing relations with them.

Public and private international voluntarism was a vital part of this country's rise to global leadership immediately after World Wars I and II. Through the Marshall Plan, the Agency for International Development and the Peace Corps, the U.S. government has helped individuals and strengthened democracy in many countries. However, private citizens responding with humanitarian assistance predates formal public sector programs to most developing countries. U.S. private voluntary agencies have been a visible demonstration of this country's global leadership for more than 100 years.

Until the mid-1960s, most private voluntary agencies with international programs focused their efforts on assistance to refugees and relief assistance in the form of food, clothing and shelter. During the last 25 years, with encouragement and support from the Agency for International Development, American private voluntary agencies have increasingly focused their efforts on the complex social and economic problems that confront developing countries.

U.S. private voluntary organizations with programs overseas comprise a community of more than 400 diverse institutions. This rich assortment includes cooperatives, credit unions, labor institutes, civic associations and non-profit relief/development agencies. They normally work at the local or community level, addressing a wide range of social and economic needs. These non-profit agencies have programs that deliver family planning services, provide technical assistance to small farmers, support micro- and medium-enterprise development, facilitate natural resource preservation, and help to improve community health services. They range in size from very small agencies, such as Eyecare of Washington, D.C. that works in one country (Haiti) on one problem (blindness), to very large organizations such as Rotary International or CARE with worldwide operations and budgets in the hundreds of millions of dollars. Regardless of their size, private

voluntary agencies have a well-developed reputation for low-cost, innovative service delivery at the grass-roots level, often functioning where official channels are either unable or unwilling to work.

Since the end of World War II, voluntarism in America has grown and flourished in a world dominated in political terms by a bipolar model and in economic terms by the hegemony of the United States. In foreign policy, the Cold War was the unifying structure that gave placement and coherence to all else. In economic affairs, the size and growth of the American market and steady increases in American productivity dominated the international economic scene.

Following the war, America's comparative wealth prompted and allowed an outpouring of humanitarian concern expressed through the Marshall Plan, the U.S. foreign assistance program and generosity toward private organizations working in the developing countries. Concern for Soviet expansion in the developing world was a central rationale for the U.S. foreign aid program, which became an important source of financial support for American PVOs. The bipolar model provided a structure that encouraged Americans to compartmentalize the world into "foreign" and "domestic" categories and to view most international issues as derivative of Cold War diplomacy.

Gradually and then dramatically, the simple, unambiguous world model that gave coherence to America's foreign economic and political policy has broken apart, giving way to an extraordinarily complex and shifting multipolarity.

- **The geopolitical component of national security has declined in importance.** With the dramatic improvement in U.S.-Soviet relations, new conceptions of self-interest have arisen that emphasize commercial and economic power, environmental concerns and a variety of specialized issues.

- **America's unchallenged preeminence in all spheres has eroded.** While still the world's leading economic and military power, America is no longer the world's most lucrative market, the leading world exporter, the unchallenged technological innovator or the largest foreign aid donor. Power is increasingly shared and increasingly diffuse.

- **The nature of leadership has changed.** The diffusion of power and the constraints on the use of military force make it much more difficult for the United States to impose its will on others and to shape outcomes according to preference. We can still lead toward goals that we define, but we can no longer dictate outcomes. In this context, the capacity to command must be supplemented by the ability to convince. Leadership, therefore, rests on an ability to define our national interest in a manner consistent with the interests of others.

- **Democratic systems and market-oriented economies are in ascendance.** There has been a remarkable near-worldwide shift toward pluralistic societies and democratic forms of governance and a concomitant emphasis on more open, market-oriented economic structures.

- **Transnational issues are assuming greater importance in international affairs.** A host of both divisive and unifying transnational problems have surfaced. These issues spill over traditional political and economic borders, cut across established institutional jurisdictions and bind dissimilar societies in new relationships. Narcotics, AIDS, global warming, biological diversity and solid waste disposal are new chapters in the development handbook that complicate rather than replace those dealing with poverty, population, hunger and health.

- **The so-called "Third World" has become many worlds.** It has been replaced by a highly differentiated grouping of countries in various stages of development dealing with very different challenges.

The consequence of these and other developments is that the principles that provided the basis for America's relationships with the developing countries, for the U.S. foreign assistance program and for the growth of international voluntarism have shifted dramatically. The distinct paradigms of the 1960s and '70s are no longer effective prototypes for the 1990s. American PVOs and the donors that support them now face an historic opportunity to take stock of what has happened, to re-examine long-term goals and strategies and to reposition themselves in the dramatically different world of the 1990s.

The Changing Context for International Voluntarism

"The Postwar era collapsed in 1989...The Cold War is over—nearly. The Postwar era is finished—absolutely."

*—Jeane J. Kirkpatrick,
Foreign Affairs, January 1990*

There are periods in history when profound change occurs suddenly and the acceleration of events is such that much of what is said and written is obsolete before it is communicated. This is now abundantly the case.

For social service institutions, rapid change in the external terrain is particularly difficult. Unlike commercial enterprise, non-profit organizations lack a pricing or profit gauge that will flag shifting conditions, changes in the marketplace or the arrival of a new competitor. Absent a "bottom line," strategic decisions must be based on non-quantifiable information and on intuitive judgments about the shape of the future. The benefits of capitalizing on changing conditions are not always apparent to cause-oriented organizations. These organizations tend to be preoccupied with a particular social problem and to cultivate a supporting constituency with a parallel focus. For international non-profit agencies, the dilemma is particularly difficult because the global landscape is infinitely more complex than the domestic one. But the capacity to make strategic judgment calls is critical to the long-term viability of any organization and the hallmark of effective leadership.

During the last 18 months, the Advisory Committee has heard from more than 75 scholars, government officials and executives from the private for-profit and not-for-profit sectors. The committee discussed a wide range of long-term issues and trends including, for example, developing country debt, challenges to the world trading system, changing American values, global demographic paths, differential aging structures and changing patterns of industrialization. All of these issues will, in some way, influence the changing structure of international voluntarism. However, in distilling 18 months of discussion, five integrating themes stood out as being particularly important:

- The Arrival of the Global Marketplace;
- New Concepts of National Security;
- The Disappearance of the North-South Dichotomy;
- The Growth of Indigenous Organizations and the Emergence of the Global Independent Sector; and,
- A Shifting Resource Base.

Predominant Themes

The Global Marketplace

The last 15 years have witnessed an explosive growth in global communications, an accelerating integration of the economic structures of the world, a significant increase in the level of international economic cooperation and a growing emphasis on open-market economies that facilitate and take advantage of the surge in international commercial activity. Economic relations between countries have deepened and become more complex and integrated. The movement of capital and labor has become increasingly fluid and responsive, flowing easily across national boundaries. Production facilities and corporate identities are more international, with international trade a larger and growing component of each nation's total wealth.

This diffusion and blending of the world economy are being led by the large multinational corporations and facilitated by the growing importance of trade and investment flows and the increasing strength of the private sector. The application of new communications technologies has encouraged a mushrooming of information flow across national boundaries in volume and speed unimaginable only a decade ago, finally creating the electronic global village that Marshall McLuhan once envisioned.

In the case of industry, it is already argued by some that there is no longer a domestic U.S. economy, so enmeshed has it become in all the other economies of the world. The very idea of "American products" made by American firms is becoming obsolete. Sony manufactures in Alabama and exports to Europe; Honda exports American-made cars to Asia; IBM manufactures computers in Japan for export; General Electric is Singapore's largest private employer; and a third of Taiwan's trade surplus with the United States is attributable to American owned firms producing products there and shipping them back here.

Linked to the growth of the global marketplace is the dramatic world-wide trend toward open, market-driven economies with a parallel emphasis on pluralistic, democratic societies. Whether because of the failures of centrally planned economies to harvest the benefits of global trade and commerce, developed and developing economies are systematically dismantling government-dominated structures at an historically unprecedented rate and turning toward free-market systems.

Also linked to world economic integration is the growing appreciation of the fragile, interconnected nature of the world's environment and of our inability to replenish easily the scarce natural resource base. The recent emergence of a powerful global environmental movement with

"Across the United States you can hear calls for us to revitalize our national competitiveness. But what and who is "us"? Is it IBM, Motorola, Whirlpool and General Motors? Or is it Sony, Thomson, Philips and Honda?"

*—Robert B. Reich,
Harvard Business Review,
Jan./Feb. 1990*

its emphasis on sustainable development is having a significant effect on the economic and social development strategies pursued by all nations.

The arrival of the global marketplace has had several direct results that affect the context in which voluntarism functions.

• **The United States can no longer unilaterally dictate economic policy to other nations.** The shape and rate of U.S. economic growth now depend significantly on the economic policies and practices of other countries. Economic cooperation among nations and the mutual formulation of economic policy have become critical to American prosperity. Whether or not America will participate in the shaping of a world order is no longer in doubt. We must, as one observer wryly noted, live with the "shackles of interdependence." As a corollary, the content of international economic policy and the process by which it is formulated have become of direct and immediate relevance to organizations, large and small, which work on development and global issues. International economic policy can no longer be treated as an arcane, distantly relevant subject.

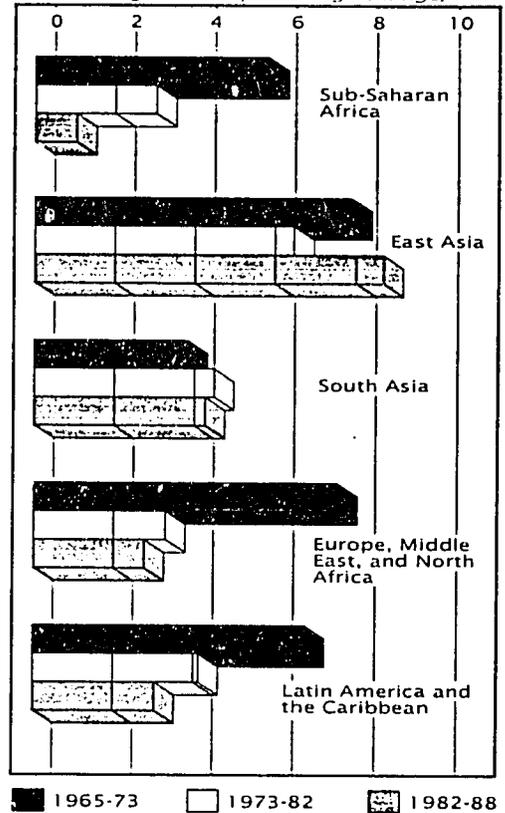
• **Commercial objectives increasingly dominate the formulation and conduct of U.S. foreign policy.** The politics of trade and commerce are gradually replacing the politics of international security. While this altered emphasis is a reality, it is not yet mirrored in the institutional structures of key governmental actors. Alteration of the organizational framework that governs U.S. economic relations with the rest of the world is an approaching inevitability.

• **The performance of the U.S. export sector has become central to the overall health of the American economy.** The cultivation of prospective export markets and the sustained and rapid economic growth of America's trading partners are of direct importance to the United States. With that recognition is likely to come an appreciation of the importance of lucrative developing country markets, which now account for 40% of U.S. exports.

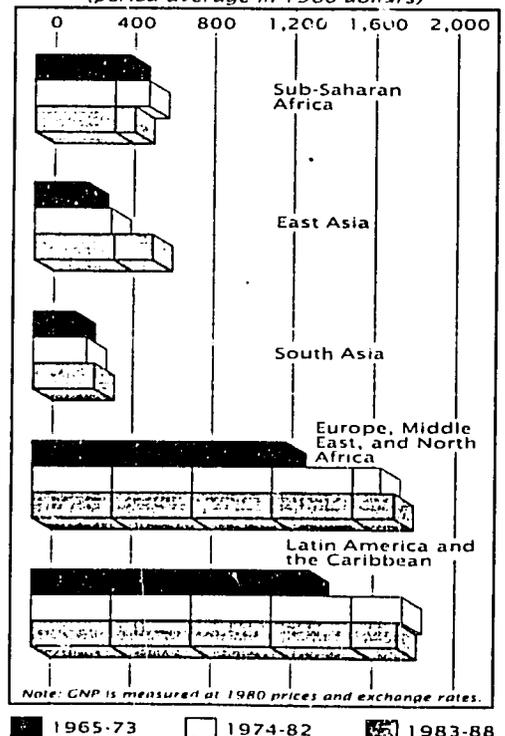
• **The integration of the world economy has meant a gradual blurring of the distinction between what is "domestic" on the one hand and what is "international" on the other.** While most evident in the internationalization of manufactured products, this fusion of perspectives has its corollary in the growing awareness of transnational global issues that affect all nations. This includes the plight of the homeless, the stress of urbanization, the special problems faced by women in all societies and the destruction of the world's pool of genetic resources.

• **The extraordinary increase in the level and quality of contact and information flow between countries of vastly different culture and background.** The American public and U.S. policymakers are more aware of world conditions and of the linkages between countries than ever before. Instant communication has meant that

Growth of Real GNP in Developing Countries by Region, 1965 to 1988
(average annual percentage change)



Real GNP Per Capita in Developing Countries by Region, 1965 to 1988
(period average in 1980 dollars)



Note: GNP is measured at 1980 prices and exchange rates.

Source: World Development Report 1989, The World Bank.

events such as the release of Nelson Mandela or the dismantling of the Berlin Wall have immediate and extraordinary global importance. The ideas and activities of obscure groups or single individuals can unexpectedly surface and spread with immense potential impact.

- **The unprecedented movement of populations across permeable national boundaries.** The growing interconnectedness of the world economy is encouraging the poor, the disenfranchised, the unemployed and the dissatisfied to "vote with their feet." The distinction between political refugees and economic migrants is no longer clear. Labor markets and skill categories no longer fit neatly within state borders.

For American PVOs, the globalization of the world economy presents challenges and extraordinary opportunities. On the one hand, PVOs will be functioning in a more avowedly international world, with a broadened and shared understanding of social issues and problems. On the other, as institutions they will need to restructure and reposition themselves to function in a larger, more complex and competitive environment. For some, the 1990s will offer the opportunity to emerge as effective multinational entities with an international staff, governance structure and funding base.

New Concepts of National Security

America's definition of its national security is increasingly diffuse, disaggregated and multipolar. For nearly 40 years, America's understanding of national security derived from a consensus view that saw the world divided into two competing power blocs. From this unifying vantage, national security was defined in terms of America's strength in relation to its adversary, the Soviet Union, and was measured largely in military terms. The foreign policy machinery of the post-war years was structured around this fundamental premise and managed accordingly.

These perceptions have been gradually, and then, in the last year, dramatically altered. While tensions between the Soviet Union and the United States may not have completely disappeared, many of the basic U.S. objectives during the Cold War period have been achieved, including a reduction in the risk of nuclear war, dissolution of the Soviet bloc, the opening of Communist societies to democratic processes, and a significant move toward more open-market systems.

At present, America is too close to that dividing line between the Cold War and post-Cold War era to achieve a consensus definition of what should constitute our new understanding of national security. But the factors that will shape this debate are beginning to take form and include:

- **Trade and market objectives.** Economic and commercial objectives, the protection of competitive techno-

"Environmental strains that transcend national borders are already beginning to break down the sacred boundaries of national sovereignty, previously rendered porous by the information and communication revolutions and the instantaneous global movement of financial capital. The once sharp dividing line between foreign and domestic policy is blurred, forcing governments to grapple in international forums with issues that were contentious enough in the domestic arena."

—Jessica Tuchman Mathews,
Foreign Affairs, Spring 1989

logical advantage and the control of global market share will take prominent place in the articulation of America's understanding of its national security.

- **Global pollution.** Protection of the global commons, our oceans, soils and atmosphere, will assume greater weight in assessing our vulnerability to changing global conditions. Whereas the 1970s were marked by an emphasis on national legislation to control national issues of pollution, the 1990s may well be marked by a comparable initiative at the international level.

- **Natural resource depletion.** Erosion of prairies and cropland, degradation of groundwater supplies and the destruction of tropical forests are among the issues that will influence America's perception of its well-being. These concerns will increasingly shape the dialogue between nations in a manner analogous to the current importance of arms negotiations.

- **Transnational concerns.** Issues such as international narcotics trafficking, refugee migration, the control of international terrorism and AIDS will continue to heavily influence America's perception of our own national health.

- **Population pressures, food scarcity and poverty.** The population of the world will nearly triple by the middle of the next century if dramatic steps are not taken now to encourage family planning. The capacity of the globe to feed and sustain 14 billion people is seriously in doubt. Population pressures are linked through poverty and ecological stress to virtually all of the world's most significant problems.

- **The depoliticization of national security.** International issues are becoming decoupled from political systems. Population pressures, environmental concerns, the future of world trade and the management of the international economy are critical global issues with potentially divisive consequences. But the outcome is not linked to the life or death of a political system. The growing importance of trade, commerce and similar non-partisan issues in the interactions between nations suggests that the approach to global concerns will be driven by pragmatic measures of effectiveness and utility. As Indonesia's foreign minister pointed out on the 13th anniversary of the Bandung Conference, "The age of 'isms' is over."

- **The course of democratization.** As the preeminent open and pluralistic society, America is a beacon for democracy. We have much to gain or lose from the progress of other nations in pursuit of the goals that we have defined. For Americans, the last year has offered an enticing promise of a world that shares our values and systems, a world in which we as a nation are fundamentally secure. But the transition process—as so painfully clear in the case of Poland—will be extraordinarily difficult. Our role in that process and the resources we bring to bear upon it are a central component in our own security.

For private voluntarism, the new concepts of national

Urban Population

In less developed countries, urban populations in this century have been growing more than 3 percent a year, nearly double the total population growth rate and more than twice that of industrial countries.

These demographic changes will profoundly affect citizens in less developed countries both economically and socially. An estimated 40 percent of the urban population in less developed countries lives in slum and squatter areas with minimal housing and services. In many Third World cities, many families are squatters. More than 2 million of Calcutta's population, for example, lived in slums in 1980. Rio de Janeiro, Jakarta, Manila, Bogota, Lima, Casablanca, and Istanbul each had more than 1 million living in slum and squatter settlements.

By the end of this century, more than half the households in absolute poverty—that is, at or near subsistence—in developing countries will be concentrated in urban areas.

Source: World Resources 1988-89, World Resources Institute

security involve a healthy, constructive shift of national consciousness. At the same time, it is important to recognize that the ideology of the Cold War has served as a unifying force that gave clarity and purpose to much of our national policy for more than 40 years. In configuring a new program and a new structure to encounter and deal with a developing world, the central challenge will be to find a unifying theme that gives similar cohesion to the multiple purposes that such a program must pursue.

As America's understanding of its national security matures, we are presented with an historic opportunity to forge a supporting consensus on behalf of a reconstituted foreign assistance program based on a definition of national security that mirrors global conditions and that draws on America's experience and values.

The Disappearance of the North-South Dichotomy and the Growing Complexity of U.S. Relationships With Developing Countries

Relations between the United States and the developing nations have become more complex and differentiated. Thirty years ago, the so-called "Third World" was thought of as a homogeneous group of countries with shared conditions evolving as a group through predictable stages. It was thought that U.S. policy toward these countries could be conceptually unified and a single organization could be established to formulate these policies and manage these multiple relationships.

In the 1990s, this unity no longer exists. The result of the uneven growth rates of the last 30 years is that the "Third World" is no longer a coherent group of similar countries, nor is it a categorization useful to policy-makers in formulating and pursuing U.S. interests. The countries of the developing world can now be grouped into as many as seven different categories, including middle-income countries, newly industrialized countries, low- and stagnant-income countries, and "the Giants" (India and China). In sum, the "Third World" has become many different worlds, and U.S. relations with these countries reflect both their diversity and our changing role in world affairs.

From 1950 to 1980, most developing countries compiled a very respectable growth rate, growing faster than did the developed countries during their own industrial revolution. This progress came to a halt in the last 10 years; for all but a handful of Asian nations, the 1980s was a lost decade. Economic conditions during the next 10 years may not alter appreciably. The World Bank estimates that through 1995, the developing countries will grow at about 4% per annum, slightly better than in the last decade, but well below the achievements of the 1970s. Prospects for the

"There are the traditional developing countries, their economic fate still tied to the prices of commodities; the desperate countries living year to year on a trickle of aid; the manufacturing exporters, crowding into advanced country markets that may be increasingly closed by protectionism; the debtor countries, bargaining over the size of the resource transfer they must, perversely, make back to the North. It is hard to imagine restarting the new international economic order debate on anything like the terms that made sense even ten years ago."

*—Paul Krugman,
Daedalus, Summer 1989*

poorest countries are gloomy in the extreme. Regardless of overall averages, severely impoverished subpopulations, particularly in urban areas, will remain a problem for virtually all developing countries.

Among the developing countries, there has been a pronounced shift toward democratic political structures. The trend has been most dramatic in Latin America, where authoritarian regimes have given way to elected civilian governments in Argentina, Bolivia, Brazil, Ecuador, El Salvador, Guatemala, Honduras, Peru, Uruguay and now in Nicaragua and Chile. It is also a trend evident in Asia, including South Korea, the Philippines, and Thailand, and is dramatically clear in Central Europe and the Soviet Union. With the ascendance of democratic systems has come a reorientation toward the private sector and open-market mechanisms to guide the development process. The developing nations seem to be echoing Thomas Jefferson's dictum that political and economic freedom go hand in hand, that a vigorous private sector is essential for economic growth. In turn, economic growth promotes democracy by increasing the size of the middle class, raising the level of education and creating pressure for political participation.

Despite the encouraging trend toward more democratic societies, political conditions in developing countries are likely to remain turbulent. Regional conflicts involving territorial disputes and ethnic and religious animosities will continue. Many developing countries are increasing their level of military procurement. As a group, the developing countries now account for 20% of global military expenditures; several have nuclear capability.

Better communications and improved cross-cultural knowledge do not necessarily lead to political stability. Greater global integration can increase frustration and the sense of deprivation by permitting and encouraging invidious comparisons of relative wealth.

In the coming years, U.S.-developing country relations will be heavily influenced by five factors:

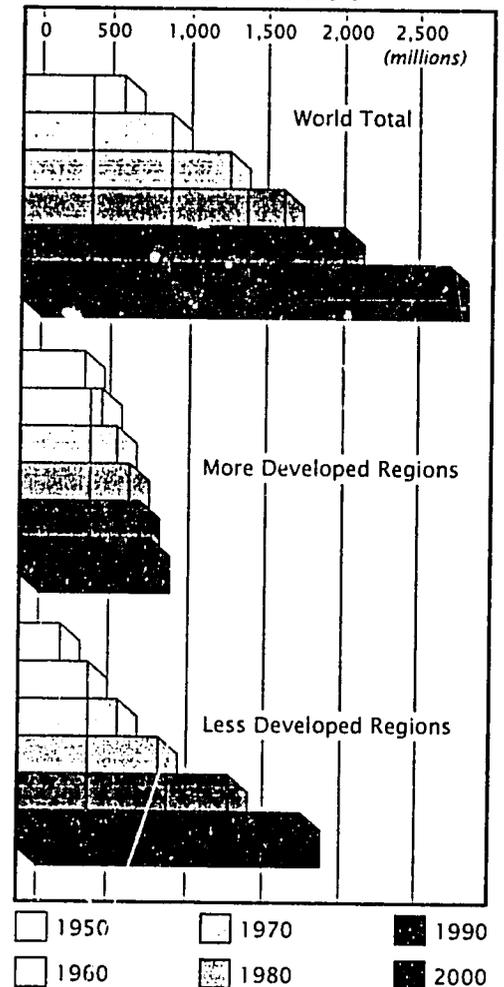
- **Economic growth.** The developing countries now account for 40% of the market for U.S. exports. Sustained and rapid growth in these countries is a key element in making significant progress toward reducing America's trade deficit.

- **Commercial advantage.** Because of the growing importance of commercial interactions, issues such as market access, availability of technology, protection of intellectual property and unfair trading practices are likely to dominate discourse between the United States and the developing nations.

- **Progress toward open, pluralistic political and economic systems.** America's concern for democratic systems and free markets reflects both our values and our self-interest.

- **The force of transnational issues.** Transnational issues have taken center place in dialogue with the develop-

Urban Population Growth 1950 - 2000



Sources: 1. United Nations (U.N.), *Patterns of Urban and Rural Population Growth* (U.N., New York, 1987), Table 4, p. 11.
2. United Nations (U.N.), *The Prospects of World Urbanization, Revised as of 1984-85* (U.N., New York, 1987), Table 2, p.8.

ing nations. Problems such as narcotics, global warming, soil erosion and deforestation are universal concerns that create a "new equality of vulnerability."

- **The special needs of the poorest countries.**

Concessional foreign assistance will remain of critical importance to the poorest countries of the world. As the Overseas Development Council has pointed out, aid to these countries should be analogous to the importance of preserving a domestic safety net for disadvantaged groups in our own society.

While the process of development itself may remain volatile and unstable, the Committee believes that, on balance, the outlook for relations between the United States and the developing nations is essentially positive. The reduction in U.S.-Soviet tensions, the importance of the developing world as a commercial partner, the trend toward democratization and open markets, and the reduction of ideological posturing suggest a gradual removal of contentious issues and a growing atmosphere of mutuality.

While the underlying trends are essentially positive, there is one significant caveat: The shifting definition of national security and the weakening rationale for the traditional form of foreign assistance may have disastrous implications for the poorest of the developing countries who are not full participants in the growth of international commerce and the globalization of the world economy. The poorest countries already face a static or reduced flow of official development assistance. They increasingly function outside the established framework of trade and commerce. They lack technology, capital and managerial expertise and—particularly in Africa—a tradition of private sector activism and a flourishing non-governmental community. The desperate needs of the poor in these countries are indisputable. Because these countries lack economic leverage that is important in a commercial world, there is a persistent danger that, in the reconfiguration of the U.S. foreign assistance program, they will be ignored.

The Emergence of the Global Independent Sector

As recently as 10 or even five years ago, private voluntary organizations in this country and overseas were seen as peripheral adjuncts to a state-centered development process—small, underfunded, grass-roots, voluntary and unprofessional. With institutional maturation, the explosive growth of indigenous voluntarism, the ascendance of the private sector and the growing importance of local linkages and community-based solutions, the actual and potential role of private voluntarism has expanded dramatically. Whether in areas of basic poverty alleviation, environmental protection or the strengthening of open, pluralistic societies, voluntary organizations worldwide are now the

"A ragtag front line of local movements is entering the international battle against poverty and environmental decline....People in the developing world are better organized in 1989 than they have been since European colonialism disrupted their traditional societies centuries ago."

—Alan B. Durning,
Foreign Policy, Spring 1989

driving and guiding force behind development.

Several factors appear to have stimulated a surge in global voluntary activity. They include the scarcity of public sector resources, frustration that the economic gains of the 1960s and '70s have been slipping away, growing worldwide awareness of environmental damage, the opening of political space that encourages voluntary activism and the widespread loss of faith in the capacity of government to cope with the complex problems that changing societies face. In addition, the communications revolution has let local organizations draw on a wealth of information about other societies and other solutions so that they can better interpret their own circumstances and evaluate options for dealing with the problems their communities face.

For American PVOs, the emergence of strong and competent colleagues in developing countries presents a rich opportunity to multiply impact. PVOs have always been hampered by their inability to reach more than a fraction of a target population. The rise of grass-roots activism has changed this, providing an opportunity for widespread replication through the efforts of local groups with compatible programs and values.

The issue of relations between local or indigenous NGOs and expatriate PVOs from America and other developed countries is difficult because it involves questions of organizational independence, national identity and institutional competence. Viewed from a narrow perspective, it involves a transfer of power. The reconfiguring of roles between local and expatriate organizations will and should occur. At the same time, the new relationship should be based on the capabilities of each party and be designed to strengthen their long term institutional structures. In assessing the dynamics of this changing relationship, there are three central issues:

- **The question of competence.** The transfer of responsibility for implementation of development projects from American to local organizations needs to be based on a candid, dispassionate assessment of the relative strengths and weaknesses of each. Rhetoric talking only about mutual relationships based on trust is not particularly helpful. While values may be similar, there are significant differences in the capacities of northern and southern groups to be considered as roles and responsibilities shift.

- **The problem of money.** There are limitations on the capacity of U.S. agencies to transform themselves from implementing agents to funding channels. Non-profits have a fiduciary responsibility toward their donors that must be respected. Funds raised for a particular purpose must be spent on programs related to that purpose. In addition, donors place growing importance on fund accountability. To the extent that a non-profit agency passes funds to a third party, direct accountability is diluted. Finally, and perhaps most important, it has been extremely difficult to shift the

American donor community from relief and refugee assistance to development. It will be equally, if not more, difficult to shift them from development to vague concepts of capacity building and institutional strengthening.

- **The danger of dependency relations.** Small, emerging NGOs can be easily overwhelmed because of poorly managed relations with larger, more sophisticated PVOs. Program missions can become distorted and bent to reflect the priorities of the well-intentioned colleague, and financial and psychological dependence can result. The temptation to transform a small local NGO into a national institution prematurely can be particularly alluring.

Revising roles and relationships will not be smooth or easy and will be characterized by uncertainty, competition, heightened tension and sporadic instances of broken communication. In some developing countries, the presence of expatriate voluntary agencies may be actively discouraged by local agencies and governmental bodies.

Reliance on a network of competent, well-placed, highly motivated, low-cost community based NGOs is an important factor in the formulation of effective development strategies; however, as American PVOs have given credibility to local NGOs in the past, in the future, affiliation with a local group will give credibility to the offshore colleague. Because of the competence of local organizations, their centrality in the development process and the effective synergy in the relationship, the effort to cultivate strong ties is well worth the investment it will require.

The Shifting Resource Base

During the last 10 years the growth of the American PVO community has been fueled in predominant part by federal funding. While support from the private sector for PVO activities has grown and while there are many important and effective organizations that neither seek or receive federal funds, the largest share of incremental support for international development work has come from federal sources, partly in the form of increased centrally funded grants and partly because the Agency for International Development has increasingly turned to PVOs to implement programs.

Whether government funding for international voluntarism will continue to increase in either relative or absolute terms is problematic. While budgetary pressures will remain intense for the foreseeable future, it is increasingly clear that if the United States is to be effective in influencing the contour of world events, it must bring more to the table than hortatory rhetoric. Events in Central Europe, Panama and most recently in Nicaragua are generating enormous claims against a static foreign aid budget. How these colliding concerns will play out is unclear. What is clear is that the nature of the funding relationship between

"[The capacity of America] to formulate a grand global strategy will not be helped by the still powerful 'escapist urge' in the American social culture, which may be understandable in terms of the nation's frontier past but is a hindrance to coming to terms with today's more complex, integrated world and with other cultures and ideologies."

—Paul Kennedy,
*The Rise and Fall
of the Great Powers*

government and the PVO community is likely to change:

- **A changing stage.** With the end of the Cold War and the realization that the so-called "Third World" is highly diverse, the central rationale for the traditional form of foreign aid has been removed. Whether the altered conceptual structure will lead to a deliberate and comprehensive recasting of the program or whether change will proceed in a piecemeal fashion, America's foreign assistance effort at the turn of the century will be fundamentally different from the current approach.

- **Splintered responsibility.** Traditional bureaucratic structures and relationships are likely to alter as the conceptual basis for U.S. interactions with assisted nations shifts. Responsibility for the conduct of these relationships is as likely to be as splintered as the issues and problems with which they deal.

- **Muted Rhetoric.** The unlinking of foreign assistance from Cold War politics may reduce some of the counterproductive polemics that have discouraged public support and hurt public understanding of the program.

- **New issues.** The constant flow of new transnational issues will provide a resupply of resources, opportunities and fresh bureaucratic formations. The ascendance of commercial and economic objectives will be reflected in program emphasis.

- **Search for new solutions.** The administrators of the foreign assistance program will be persistently searching for ways to increase the effect of scarce resources and to multiply impact. This suggests a continuing emphasis on policy change, replication, sustainability, collaboration and the building of networks.

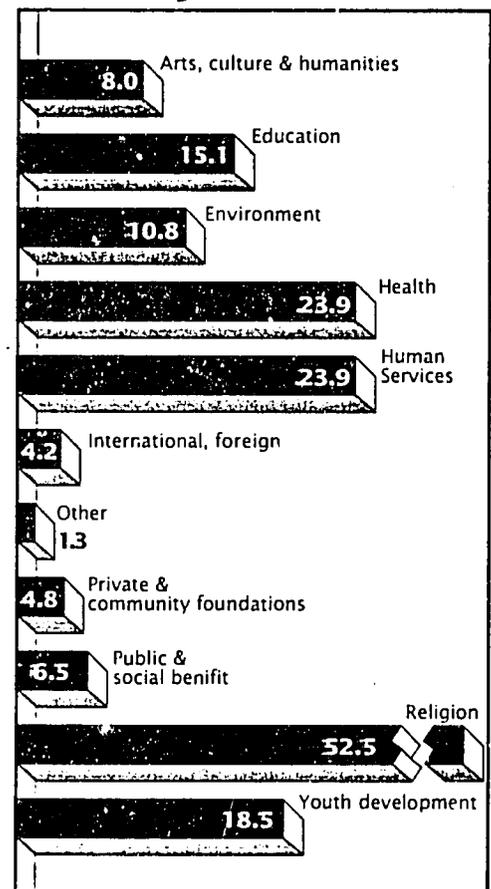
The committee believes that the future level and nature of individual giving for international voluntarism will be immensely influenced by the integration of global cultures and the explosion of global information. The following factors will influence the level and nature of individual giving

- **Sophisticated skepticism.** An outward-looking international perspective will provide a largely positive climate for international voluntarism; an increasingly sophisticated American public will, at the same time, be an increasingly skeptical American public.

- **A more selective donor.** A better understanding of development issues will bring an appreciation of complex and contradictory causes. Issues once simply framed in humanitarian terms will take on shadings that blur clear, easy choices. An educated donor constituency will be concerned with effectiveness; scrutiny, oversight and accountability are likely to grow in importance.

- **Blurring of the poverty dichotomy.** As the clear distinction between rich and poor countries gradually disappears, as cross-cutting global issues become more important, as former aid clients surface as formidable commercial competitors, and as the world becomes more com-

Percentage of Individual Giving By Sector



Contributions by individuals account for 88% of all charitable donations in the United States. Foundation giving accounts for 6.5% and contributions by corporations represent 5.8%. Individual respondents to a 1987 Gallup Survey were asked which kinds of charitable causes their households donated any money or property to in 1987. Over half of all respondents surveyed reported contributing to a religious organization. The proportion of households giving to each of the other types of charity was much smaller.

Source: Independent Sector, 1987 Gallup Survey.

plex, it will be difficult for PVOs to continue to draw on that wellspring of American compassion based on a simple dichotomy between the "haves and the have-nots."

- **The need for a new language.** A more and more sophisticated American public will respond to appeals on the basis of pragmatic assessments of the effect of a global problem on their lives. As a corollary, there will be a growing fatigue with the negative rhetoric of development. Words like "assistance" and "aid" will need to be gradually replaced with concepts of "partnerships," "networks," "building markets" and "investing for the future."

- **New global concerns.** The emergence of genuine global issues and the blurring of traditional geographic distinctions will influence the pattern of charitable giving. Transnational issues tend to be tangible and immediate, overcoming resistance toward support of causes outside the immediate community. PVOs that work with global issues or that can take on such programs without compromising their basic mission will stand to benefit.

Direct corporate charitable support for international voluntarism will be constrained by the intense pressure on corporate profits, itself a reflection of the more competitive environment of the global economy. However, the possibilities for indirect support through collaborations and partnerships should flourish. The local access and knowledge that PVOs possess are of enormous potential advantage to firms that want to initiate commercial activity in developing countries. Liaison with a for-profit enterprise can be mutually constructive when there is clarity on long-term objectives and when the cooperating PVO acts consistently with its values.

The level of foundation support for international philanthropy will remain modest. However, because of the interest in systemic change and their willingness to provide experimental funds and act as catalysts for change, foundations can have a disproportionate impact on the policies and strategies of development agencies.

Most importantly, the emergence of a global independent sector structured around global problems will open a wide variety of opportunities for building, strengthening and diversifying the base of available financial support. Options include partnerships with local groups, mergers with established NGOs from industrial countries, joint programming and contracting possibilities and participation in associations or networks designed to share information and promote the welfare of member agencies.

"The current [American] mood can be characterized as a wary readiness. It is a readiness of a special kind, distinctly hopeful, yet cautious."

—Daniel Yankelovich
and Richard Smoke,
Foreign Affairs, Fall 1988

Implications for Private Voluntarism

The trends discussed in this report are largely compatible with the values and objectives of America's private voluntary community. In many ways, the tangled and integrated world that is emerging is a world that the private voluntary community has itself believed in and pursued. And it is a world in which private voluntarism will continue to play a critical, increasingly important role. Nothing that the committee has heard has suggested that the efforts of America's PVO community should or will decline. Nevertheless, worldwide economic and political developments clearly necessitate fundamental adjustments on the part of those institutions that want to engage in international work.

As private autonomous institutions, PVOs are well positioned to be inventive, experimental and flexible, to collaborate with others and to take long-term approaches to problem solving. In this respect, they are capable of adapting to changing conditions.

On the other hand, PVOs are constrained by funding realities and by their small size, local orientation and limited influence. Some have difficulty defining and adhering to a sharply conceived purpose, some are excessively dependent on governmental support, and most are disinclined to devote time and resources to shaping institutional strategy. The implications of the trends and developments discussed in this report for private voluntarism are as varied as the PVO community itself. Ultimately, each organization will have to make its own strategic assessment of how it can make the most of the altered conditions of the 21st century. Donors, both public and private, share the responsibility for thinking through and articulating new strategies for the international voluntary programs that they intend to support.

Widening Choices

During the next decade, American PVOs and donors face a widening array of choices and opportunities. The blurring of geographic boundaries and the disappearance of clear dichotomies vastly expand the array of alternatives that a non-profit agency must deal with as it thinks about its future. Strategic positioning for the PVOs entering the 21st century will be far more complex and far more important than it is today. The expanding horizon will reflect:

"The United States cannot escape these trends. Its borders will be more permeable. It too will confront more actors, inside and outside the country. It will feel more vulnerable. Americans are entangled in the paradox of interdependence: they must pay more attention to their foreign relations but they have less ability to determine outcomes."

*—John Maxwell Hamilton,
Entangling Alliances*

- **Weakening distinctions between domestic and international organizations.** Increasingly, domestic social purpose organizations will enter the international field while international PVOs will apply their experience to domestic problems in areas such as small business development, urbanization and health. This more competitive environment will place a premium on an organization's capacity to establish a clearly defined identity and to find and retain an established niche.

- **The integrating effect of transnational issues.** The splintering and disappearance of a single "Third World," the growing preoccupation with problems that ignore national boundaries and the growing self-confidence and capability of indigenous organizations will create an opportunity for some American PVOs to move away from a geographic focus to a focus on particular problems that cut across national boundaries.

Identification with a specific global problem is alluring because it provides a programmatic focus, an organizational identity and, in some cases, a clear constituency and funding base. Institutions that work on global problems will be linked through networks of formal or informal association. At the same time, issue-driven institutions require considerable technical expertise and depth, plus access to key policy-makers, if they are to be effective.

- **A broadening definition of "development assistance."** The conception of development assistance should shift to one of mutual cooperation and no longer be identified solely with Third World countries. America's development assistance program will deal with a wide assortment of global issues that are interlocking, transcend national boundaries and do not conform to established bureaucratic jurisdictions. Dealing with these will necessitate flexibility, ad hoc team structures, interdisciplinary collaboration and incentives for iconoclasm—characteristics not easily or often found in established governmental structures.

- **Growth of global networks around transnational issues.** Non-profit agencies that work on global issues will have the opportunity to be linked through networks of affiliated organizations designed to monitor conditions, exchange information and influence policy. Whether formal or informal, these associations have immense potential for influencing the direction of global events.

- **Appearance of the multinational PVO.** During the next 10 years, some American PVOs will take on the institutional characteristics of a global enterprise—an international staff and governance structure and an internationally diversified funding base. These organizations will exist to provide truly international solutions to transnational problems

- **Growing consensus in favor of a fundamental overhaul of the U.S. foreign assistance program.** In view of the internal contradictions discussed in this report,

the case for a basic overhaul of the U.S. foreign assistance program—a program conceived in the now anachronistic climate of the Cuban Missile Crisis—is likely to gain momentum.

In sum, there is likely to be a significant broadening of activity under the rubric of private international voluntarism, and the term itself may lose its defining clarity. This expansion will reflect new organizations, new markets and new problems. More and more countries will need and be eligible for assistance, more and more "domestic" non-profits will enter the international field, and more and more transnational issues will require coordinated international attention.

Shifting Roles

It is clear that the role American PVOs will play as part of this country's international development effort will change. The precise content of that role is impossible to predict. The factors that will determine its shape are already evident:

- **Continued importance of policy competence.**

The ability to create impact through policy change is likely to increase in perceived importance. For American PVOs, this underscores the critical importance of developing internal analytical capacity and of establishing productive relations with governments.

- **The growing importance of market-oriented development strategies.** For the foreseeable future, there will be a growing demand for technical competence in skills that provide the working framework for free-market economies. Whether in the areas of micro- or medium-enterprise development, management training or promotion of the informal sector, activities related to the strengthening of commercial functions will be in demand.

- **A balancing role between environmental and developmental concerns.** Because of their perspective and their community links, development-oriented PVOs have a critically important bridging role in the ongoing process of defining the effective meaning of sustainable development. PVOs, better than any, understand the linkage between poverty, population and the environment and can appreciate the connection between policy initiatives and local response. They are well positioned to balance the occasional zealous extremes of both the economic growth and the environmental advocates.

- **Increasing specialization and deepening technical competence.** The growing importance of technically complex transnational issues, the blurring of self-defining dichotomies and the growing sophistication of donors suggest that PVOs and non-profits in general will become more specialized in areas of their established substantive competence.

• **Disengagement from direct project implementation.** With the growing capability and self-confidence of indigenous organizations, American PVOs heavily involved in direct implementation of grass-roots development projects will need to devise an alternative role for themselves. The key elements in developing an alternative role will include:

- The capacity to establish strong relations with a respected local NGO;
- The ability to be effective in the interactive process of organizational development;
- The ability to act as a "transmission belt," bringing new ideas, experience and/or expertise to bear on an issue or problem;
- An understanding of government processes and how to create and use constructive relationships between government and the independent sector; and,
- Access to a network of out-of-country resources such as key organizational leaders in the environmental movement.

• **Shift toward facilitation, networking, advocacy, and public education.** As PVOs gradually disengage from direct project implementation, local groups will look to them to influence international opinion and to provide access to international networks. A critically important future function will be linking grass-roots activism with global policy initiatives.

Finally, the breaking down of distinctions between "domestic" and "foreign," "North" and "South," "developed" and "underdeveloped" and the dominance of transnational issues has an institutional corollary in the structure and orientation of the American PVO community. As the world becomes more complex, the number of niches into which a PVO can comfortably fit expands dramatically. At the same time, the broad categorical identity that defines a private voluntary organization loses its coherence. These shifts suggest that in 10 to 20 years, the term PVO may be as antiquated and out of fashion as such aggregations as "Third World" or "foreign aid."

The Opening of Alliances

The complex, long-term, inter-related nature of many of the world's most significant issues does not fit the current conceptual or institutional framework that we bring to bear on those problems. Both in the private and in the public sector, new and flexible institutional forms are needed.

This fact, together with the integration of the global marketplace, the gradual disappearance of the North-South dichotomy and the growing dominance of transnational problems, suggests an environment that will encourage an accelerating rate of creative institutional alliances. The formation of cooperative relations between institutions

"Alliances, while needed, are anything but easy. They require extreme—and totally unaccustomed—clarity with respect to objectives, strategies, policies, relationships and people. They also require advance agreement on when and how the alliance is to be brought to an end. The best text on alliances is not to be found in a management book, it is in Winston Churchill's biography of his ancestor the first duke of Marlborough."

—Peter Drucker

should increasingly become part of a PVO's growth strategy and should be acknowledged and supported by donors. Alliances will involve a broad spectrum of participants and will occur in a variety of ways and for a variety of purposes:

- **With indigenous organizations.** A solid relationship with an indigenous organization will be of growing importance to long-term effectiveness. These groups are increasingly capable and self-confident. They can provide access, credibility, insight and substantive competence in project implementation. A link to a local non-governmental organization may be critical to continued in-country presence for many U.S. PVOs.

- **In pursuit of the multinational enterprise.** Few PVOs have the financial or managerial resources to cultivate a global presence on their own. As a consequence, the integration of PVOs into the world economy may take place most effectively through a process of gradual alliance. Collaboration, partnerships, joint ventures, fund-raising consortia, and mergers and acquisitions are likely to be useful strategies for functioning in the global marketplace.

- **With business.** The comparative advantage that PVOs possess in understanding complex and remote cultures coupled with the growing importance of commercial relations should lead to rich opportunities for affiliation and working relationships between PVOs and private multinational corporations. Non-profit agencies have much to learn in the way of effective and purposeful management from corporate enterprise, while business can gain from association with those agencies that possess a knowledge of local cultural mores and motivations.

- **With each other.** In general, the permanence of change and the constant process of institutional sorting suggest that American PVOs should more actively pursue and explore collaborations, mergers and other creative forms of institutional affiliation with strong, like-minded organizations in this country and overseas. Mergers have and will continue to be an effective tactic for dealing with abruptly changing conditions and shifting capabilities. While difficult to engineer, mergers and acquisitions should be considered a useful technique in any PVO's arsenal of organizational development strategies.

- **Through formal and informal global networks.** The rapid growth in international voluntarism, the growing importance of transnational issues and the availability of instant communications encourage the formation of global networks of groups affiliated on the basis of common concern. These can organize quickly, coalesce effectively around issues and disband when their purpose is achieved. While in some cases they may become a permanent entity, more frequently their life span is coterminous with the problem they address. Because of their potential to mobilize a worldwide constituency, these "global task forces" can have immense impact.

Strengthening the Resource Base

As stressed in this report, the committee believes that the overall atmosphere for private voluntarism is improving. While American PVOs will have to adjust to radically different conditions, the essence of what a private voluntary organization does and what it stands for is entirely compatible with fundamental global trends. The committee would like to conclude that this essentially positive climate will translate into a larger and stronger resource base and that support from both public and private sources will materially improve in coming years. Unfortunately, such an unambiguous assessment is not possible. The underlying factors that will influence support for private voluntarism are contradictory.

On the one hand, a number of trends—the emergence of an integrated world economy, the growing relative importance of commerce in our relations with other countries, improved relations with the Soviet Union and increased sensitivity to international environmental issues—all imply a more sophisticated, outward-looking international perspective. These should provide an improved context for a better dialogue with prospective donors and a more favorable climate for consideration of U.S. foreign aid. Additionally, the emergence of tangible world problems that have immediate, visible consequences in our own backyard will make it easier to overcome America's traditional insularity toward overseas events.

On the other hand, American values are influenced by a strong and resilient tradition of isolationism. The blurring of the distinctions between the concepts of national and international, developed and underdeveloped, will make it much more difficult for PVOs to frame their objectives in terms of simple, easily understood distinctions between the rich and the poor, the fed and the hungry, the sick and the well. A more knowledgeable public is also a more questioning public and one less likely to be swayed by emotional appeals. While there remains in this country a strong strain of humanitarianism to which PVOs should continue to appeal, this compassion will be linked to perceived self-interest. Finally, the objective reality of global interdependence cuts two ways. While there are benefits to trade and increased international commerce, there are also costs in the form of structural disruptions, loss of jobs and a growing sense of dependency on the actions of foreign powers.

With regard to the future of the U.S. foreign assistance program, the implications for PVOs are equally mixed. The gradual disappearance of the Cold War ethic, the emphasis on the role of the private sector, the growing competence of local NGOs and the emphasis on institutional pluralism all suggest a strengthened role for private voluntarism. The overall climate for foreign assistance is likely to be much more compatible with the values and orientation of American voluntarism than has been true since the late 1960s. At

the same time, budgetary pressures are intense and projected to remain so for the foreseeable future. This situation is made worse by the diversion of funds for critically important initiatives in Eastern Europe, which, however, carry an enormous opportunity cost in the form of activities foregone in other parts of the developing world. If current trends are indicative, the economic and commercial rationale for foreign assistance is likely to increase in importance. Properly framed, this implies no contradiction with the current and prospective role that PVOs play. In fact, a strong alliance with American business provides an important opportunity to forge a durable base of support for foreign aid.

It is likely that bilateral donors such as the Agency for International Development will increasingly engage in direct funding relationships with local NGOs. At first, primary emphasis will be on grant funds for institutional strengthening, but as local groups become more sophisticated, donors may look to them to implement donor programs. To the extent that American PVOs have established strong collaborative linkages and institutional affiliations with local groups, they should benefit from, or at least not be harmed by, this trend.

The committee believes that American PVOs can draw some broad implications from these sometimes contradictory trends:

- **Sustained base of support from individual giving.** Despite essentially positive underlying trends, it is not likely that there will be a sea change in American values leading to a sudden windfall of private sector support for American PVOs. PVOs should not make the easy assumption that the difficult context in which they function will improve overnight. At the same time, that context is not likely to deteriorate.

- **Growing competition for the charitable dollar.** With new issues and new entrants to the marketplace of international philanthropy, competition for the charitable dollar will increase in intensity. In this more difficult context, it will be particularly important for organizations to establish a unique and credible identity; PVOs will have to sharpen their objectives to focus on problems that correspond with the perceptions of a much more sophisticated public. As stressed in this report, this implies the abandonment of some cherished language and the adoption of a new vocabulary.

- **Importance of professional fund-raising techniques.** As a group, PVOs need to devote considerable effort to a better understanding of the fund-raising process, to the management of fund-raising and to the professionalization of the fund-raising effort.

- **Growing complexity of governmental contacts.** As the security rationale for foreign assistance declines and the commercial rationale increases, government agencies and departments concerned with trade and business pro-

10 Largest U.S. Foundations by Total Giving

Name	Total Giving	Assets	Fiscal Date
Ford Foundation	\$122,083,061	\$3,497,800,000	9/30/84
Andrew W. Mellon Foundation	601,055,230	1,291,843,298	8/31/84
W.K. Kellogg Foundation	60,835,879	1,291,843,298	12/31/84
Robert Wood Johnson Foundation	57,742,282	1,173,836,335	12/31/84
J. Paul Getty Trust	45,948,959	2,684,185,155	9/30/84
Pew Memorial Trust	45,617,847	1,171,419,665	12/31/83
Kresge Foundation	43,145,000	813,648,263	12/31/84
John D. and Catherine T. MacArthur Foundation	38,197,518	1,920,260,560	12/31/83
Rockefeller Foundation San Francisco	37,889,957	1,101,856,013	12/31/84
Foundation	37,753,057	461,040,287	6/30/84

Domestic and Foreign Grants Reported

Type of Recipient	No. of Grants	% of Total Grants	Dollar Value of Grants	% of Total Value
Domestic	32,361	95.1	\$1,549,876,140	94.1
Foreign	868	2.5	57,113,743	3.5
International— Domestic Recipients	811	2.4	39,720,794	2.4
Total	34,040	100.0	\$1,646,710,677	100.0

Most foundation grants are awarded to organizations located in the United States for projects with a domestic focus. Grants to U.S. organizations to conduct international activities or to sponsor programs in foreign countries account for 2.4 percent of the grant dollars reported, while grants to organizations outside the U.S. account for 3.5 percent of the total dollars reported. This general distribution pattern has remained fairly constant over the last five years.

Source: The Foundation Directory, 1985 Edition.

motion are likely to become more and more involved in the foreign assistance program. As a consequence, the "ownership" of the program is likely to become diffuse and confusing to those unfamiliar with governmental machinery. This further strengthens the long-debated case for establishing a central coordinating mechanism to give coherence to the complex array of America's governmental interactions with the developing nations.

Dealing With Change

American PVOs are entering a period of turbulence and change. For most, the next 10 years will involve intense periods of self-assessment, experimentation and clarification of comparative advantage. For some it will involve a fundamental shift in role and mission. There are three important consequences:

- **The importance of leadership.** Leadership is always important to organizational success, but it is especially critical during periods of transition. As conditions change, American PVOs will need to balance between excessive opportunism and extreme caution. Of the various characteristics of leadership, the one that will be the most important for PVOs in the coming decade is the capacity to map the external terrain accurately in order to identify opportunities and obstacles that should be factored into a coherent institutional strategy.

- **The importance of strategic planning.** PVOs will need to devote greater time, attention and financial resources to strategic planning and to analysis of the changing environment in which they function. As organizations, they will need to be simultaneously strategic and flexible—characteristics that are sometimes contradictory and often difficult to balance. While donors, both public and private, should be sympathetic to requests for funds for strategic planning, PVOs themselves should not defer the effort until donors are located.

- **Improved understanding of the global context.** The need for improved guidance mechanisms suggests that many PVOs should invest in a stronger "R&D capability" to monitor and analyze global issues, identify technical innovations and formulate policies and strategies that will strengthen program content and the institutional base.

Periods of rapid change frequently necessitate the shedding of outmoded language and outdated conceptual frameworks. This is abundantly the case with respect to American voluntarism and U.S. relations with the developing world. Terms such as "foreign aid," the "Third World," "development assistance," "friendly country" and perhaps even "private voluntarism" are not accurate representations of current reality. As PVOs think about the next century and their role in it, they need to be able to discard shopworn clichés and outmoded rhetoric.

"The winners of tomorrow will deal proactively with chaos, will look at chaos per se as the source of market advantage, not as a problem to be got around. Chaos and uncertainty will be market opportunities for the wise; capitalizing on fleeting market anomalies will be the successful business's greatest accomplishment."

—Tom Peters,
Thriving on Chaos

In the final analysis, the survival of social service organizations is determined in the marketplace of causes and ideas. As conditions alter, the demand for some types of service will increase, for others decline. The consequent process of institutional sorting is healthy and productive.

Conclusions and Recommendations

"A modern superpower must be a place that lesser fry admire, even envy. The past 12 months have seen the triumph of western ideals, of democracy and market capitalism. One of the main reasons for that triumph was that America lived up to its ideals while Marxist beliefs turned to venal reality. America at home has to stay a land of opportunity and openness, the better to ensure that the rest of the world keeps going that way. Over to you, Superman."

—*The Economist, February 24, 1990*

During the last 18 months, the committee has heard much discussion of America's reported decline and the waning of American power—that America no longer possesses the resources to play a leading part in international affairs. While the role of America in world affairs is changing dramatically and while the mix of resources that comprises this country's relative power is shifting, there is little convincing evidence of a fundamental and absolute American decline or of the gloomy, inward-looking consequences this image implies. America remains the richest, most productive country in the world. A combination of economic size, military strength and technological capacity give it an unparalleled global reach.

But most significantly, the values that America represents are, at this point in history, in global ascendance. The primacy of individual freedom, the centrality of personal responsibility and the efficiency and equity of open, pluralistic societies are principles that have gained worldwide acceptance. It now seems likely that the major economic and political systems of governance that will dominate the affairs of nations at the dawn of the 21st century will be thematically compatible with American experience, traditions and comparative advantage. And the challenges that will dominate world affairs for the foreseeable future are in areas where America's spiritual and physical resources are formidable. This is not to say that America's democratic model or America's open-market capitalist system is always right for all societies at all stages of development. It is to argue that the fundamental premises that will underlie the approach of most nations to the analysis and solution of global problems will be largely compatible with American approaches.

The committee believes that it would be the ultimate irony for America to see its short-term problems as a long-term decline, and to make myopic, self-deprecating decisions that would convert the specter of decline into a reality. The real challenge of American foreign policy is not the management of decline but the management of global interdependence.

Conclusion

America must build and sustain a new and effective program of cooperative interaction with developing nations and changing societies that derives from this country's comparative advantage and is rooted in our values and traditions. The committee, together with many other concerned groups and individuals, has come to the difficult conclusion that America's foreign assistance program needs to be fundamentally recast in order to reflect altered world conditions, America's changing role and a revised definition of national security. The Foreign Assistance Act, repeatedly amended, and the institutions authorized by that act have served America well. But today's foreign aid structure is rooted in the political premises of the Cold War and the economic realities of the nation-state rather than the global economy.

The committee believes that a new program must build on what we have learned, reflect what we are good at and flow from what we believe. It should rest upon the following five basic principles:

- **A stress on cooperation for development.** A new program of relationships with changing societies must shift the emphasis from the charity of foreign aid to the mutual benefit inherent in cooperative endeavor. The United States can achieve greater development goals if we begin to work in consort with both developed and developing countries. This will require collaboration in the planning stage and the finance and implementation stage. The focus on cooperation is an orientation that is consistent with America's leading but more balanced role in world affairs. It is a guiding approach that emphasizes equality, mutual responsibility and the legitimate promotion of self-interest. It sheds the patronizing tone of foreign aid while enhancing that which is voluntary, self-initiating and self-reliant.

- **A predominant orientation to problem solving.** The importance of transnational issues and the disappearance of simple country groupings suggest that--with the exception of the poorest countries--America's development cooperation program be deliberately structured around well-defined transnational problem areas rather than distinctions of national income. Such an approach is consistent with the depoliticization of foreign assistance and with the wisdom of relying on America's pragmatic, solution-oriented approach to challenges. It is a style that will encourage programmatic focus and that will emphasize results and strategic long-term thinking. Most importantly it is a down-to-earth approach that is the most likely to gain public acceptance and understanding. Its practical effect is to broaden the array of country contacts and encourage multinational linkages around common problems.

- **A focus on objectives that will further the long-term interests of both the United States and the countries with which we are cooperating.** The interdependence of the world and the nature of modern global issues are such that progress for one country quickly radiates to progress for others. The principle of mutuality of benefit needs to be made clear in structuring cooperative assistance programs if those programs are to have conceptual clarity and public support. The committee believes that the four priorities set forth in last year's Hamilton-Gilman Report to the House Foreign Affairs Committee provide an excellent starting point for identifying program objectives that serve the interests of both the United States and recipient countries. These include:

Growth: The encouragement of broad-based economic growth that will benefit the citizenry of developing nations while providing a market for American goods and services.

Poverty Alleviation: Human resource development aimed at improving the well-being of the poor and their productive engagement in stable, growing economies.

Environmental Protection: Better management of mankind's impact on the environment with balanced regard for the necessity of growth and development and the preservation of the natural resource heritage of all peoples.

Pluralism: Promotion of political, social and economic pluralism so important to healthy, growing and stable societies.

- **A recognition that what is humane is also often in America's long-term self-interest.**

Experience has shown that America's development cooperation program must draw on instincts of both charity and self-interest if it is to be viable and effective. As the Michigan State study on the U.S Foreign Assistance Program concludes: "So the answer to 'Why should we have a leading role in development?' is twofold: It is right to do so because it is in line with our values and it is practical to do so because it works to our national advantage." This admonition has particular force with respect to America's relationship with the poorest countries, most of which are located in Africa.

- **Adequate funding.** The size of America's foreign assistance program has been eroding for years. Paradoxically, the end of the Cold War makes the case for a vigorous foreign assistance program suddenly and strikingly strong. The argument is for a sharp expansion in the size of the foreign assistance budget as a critical component and historic opportunity in the fashioning of a new world order. Such a global goal cannot be adequately met simply by diverting funds within a static total.

Conclusion

The dramatic shifts in world conditions documented in this report necessitate a fundamental reassessment of the role of American private voluntary organizations in America's program of cooperative assistance.

The Agency for International Development provides the single largest source of funds for American PVOs. Its policies and practices, what the Agency thinks and does, and the signals it sends have a significant effect on the direction of international voluntarism. The Agency for International Development has helped PVOs build their institutional structures, oriented them to an emphasis on long-term development issues and strengthened their programs of public education. PVOs have helped the Agency by working in complementary areas, acting as implementing agents and providing a laboratory for innovation and experiment. The relationship has indeed been one of partnership and mutual gain. But that relationship is based on a set of global conditions and policy assumptions that are no longer valid.

Recommendations

The reassessment of the relationship between the Agency for International Development and America's private voluntary community needs to reflect the following considerations:

- **The role of private voluntary organizations in fashioning and implementing America's program of cooperative assistance.** The committee believes that America's private voluntary sector should have a more central role in the conduct of the U.S. cooperative assistance program. This country's comparative advantage has always been rooted in the energy of its private sector, regardless of whether the motive has been commercial or humanitarian. Reliance on private sector competence strengthens the open, pluralistic social structures that Americans believe in and reinforces positive trends both in our country and overseas. Our interactions with developing nations and changing societies and our response to transnational problems should reflect these facts.

An augmented role for private voluntary organizations should not derive solely from our belief in the validity of private sector solutions. Reliance on the low-cost, flexible, non-bureaucratic capacities of these groups makes prudent and practical sense in its own right.

- **The continued importance of development education.** Virtually all of the trends and developments discussed in this report reinforce the case for an informed, internationally literate American public. The Biden-Pell Amendment to the Foreign Assistance Act and the resulting A.I.D. development education program have been extraordinarily beneficial. In assessing what we have learned from the past, development education needs to be accorded high priority.

- **The challenges and opportunities posed by the increasing competence and authority of local voluntary organizations.** The surge of voluntary activity throughout the world provides an opportunity to link local solutions to a global attack on world problems. The ascendance of local voluntarism provides an infusion of talent and resources and an opportunity to forge powerful networks. For these reasons, it is essential that American PVOs view their changing relationship with local organizations in a positive, long-term perspective. Construed narrowly, the dynamics of this relationship suggest a transfer of power and the consequent rivalries and tensions this will entail. Viewed broadly and in the context of an emerging global independent sector, it suggests extraordinary opportunity. Because the Agency for International Development funds both American and indigenous organizations, it needs to formulate a coherent and balanced policy that will make the most of the comparative advantage of each during this transition period.

- **The role of private voluntary development agencies in dealing with global environmental issues.** As discussed in this report, PVOs have an important function in promoting sustainable development, linking environmental policy concerns with community-level activities and implementing environmental projects. Their role is particularly important where the environmental concern derives from direct human impact on a scarce or fragile resource base. In addition, PVOs have a critically important function in promoting an understanding of the linkage between population pressures, poverty and the environment and in ensuring that economic growth and development concerns are given appropriate weight in environmental policy deliberations. These responsibilities need explicit policy recognition and should be reflected in the Agency for International Development's program priorities and funding criteria.

- **Linkages with the private commercial sector.** As emphasized above, there are rich opportunities to forge constructive relationships between PVOs and profit-making organizations. The Agency for International Development can act as a catalyst in this regard, first by formulating an explicit policy that encourages these openings and, second, by providing modest exploratory grants to organizations to pursue them.

Conclusion

The dominant reality that will confront American PVOs and international voluntarism at the threshold of the 21st century will be the unprecedented, worldwide expansion of private sector activity of all types, regardless of whether the motive is profit or social service.

The hegemony of the private sector will affect virtually every aspect of international voluntarism, from institutional strategy to program design to fund-raising to external relations and alliances. It will influence the way developing nations think about their future growth and the strategies they choose to pursue their vision of their future. A central manifestation of the dominance of the private sector will be the continued growth, sophistication and power of local grassroots organizations and community groups and the growing capacity of these groups to forge international networks and alliances.

The committee believes that the next 10 years will witness the emergence of a truly global, pluralistic independent sector with a language, a set of values and an institutional structure of its own. Formal and informal linkages among voluntary organizations from different countries will increase, and institutions will come into being to nurture and sustain these relations. There will be a significant increase in our understanding of the global independent sector and a growing body of research analyzing and describing it.

The worldwide expansion and dynamism of the private sector in general and the emergence of a global independent sector in particular bode well for America's private voluntary community. The improved climate for private initiative, the emphasis on local solutions to global problems, the opportunity to establish alliances with other private groups throughout the world and the enhanced freedom of choice to advocate and act suggest a brightening context for voluntarism.

Recommendations

- **American PVOs should work toward the formation of solid relationships with their NGO colleagues in the developing nations.** These bridging relationships are essential for those organizations that intend to continue field-level operations, and they provide credibility and a powerful base of support to advocacy and public policy groups.

- **The Agency for International Development and other corporate and foundation donors should strengthen collegial relations among private sector institutions by promoting linkages, networks and relationships.** A.I.D. and other donors should be willing to support these experimental openings by making available small exploratory grants in instances where the possibility of future collaboration appears fruitful and by publicizing case studies of unique associations.

- **American PVOs should actively pursue constructive alliances with their commercial sector colleagues for their mutual advantage.** The variety of potential relationships is enormous, ranging from informal consultation to merger. For some PVOs, however, alliance with a profit-making organization is anathema. The committee believes these prejudices are unwarranted. As emphasized in the body of this report, both groups have much to learn from each other and both will benefit from association.

Conclusion

The dramatically altered global conditions described in this report will trigger an intense period of institutional adjustment, adaptation and change in the PVO community. Whether as a result of changes in charitable giving, altered priorities of the Agency for International Development, the emergence of transnational issues, displacement by indigenous groups or competition from domestic organizations, the structure and orientation of American voluntarism will be significantly different in 10 years. While the central message in this report is that international voluntarism faces a bright and exciting future, the coming period of turbulence will place extraordinary strains on individual organizations and on sub-groups whose programs may be in declining fashion. Although periods of institutional adjustment are essentially healthy, there is a persistent risk that the gains of the past may be discarded as new directions are mapped out.

The Agency for International Development can be a valuable resource and ally during this period of transition. A.I.D. can encourage individual organizations to initiate a process of institutional self assessment in light of changing conditions. Predictability of multi-year funding becomes critical as PVOs face a time lag while donors make their own adjustments to changing needs in a changing world.

Recommendations

- **Many PVOs—and many donors who support the activities of the PVO community—will benefit significantly from an investment in strategic planning.** While strategic repositioning can be difficult and frustrating, the process of examining strategic alternatives in the light of changing external conditions can be extremely helpful.

- **Voluntary organizations should be more sensitive to the benefits that derive from partnerships and mergers.** Combining compatible institutions can be an effective way to increase influence, alter program direction, build the financial base of support, add leadership and technical skills and, occasionally, provide a dignified period for phase-out of a program that has accomplished its objectives or no longer commands sufficient support.

- **The Agency for International Development should design a small grants program for those institutions engaged in a significant strategic or programmatic repositioning.** Funds should be made available for strategic planning, organizational development, program design, “pump priming” of mergers and partnerships and activities central to institutional reorientation.

Conclusion

A central core of basic human needs programs directed at the needs of the poorest of the developing countries must be sustained.

The primacy of the private sector, the growing importance of environmental and other transnational issues and the blurring of distinctions between countries of the North and of the South may bend the priorities of the foreign assistance program away from the intense needs of the poorest of the developing countries. At the same time, PVOs should, and it is likely that they will, be asked to play a key role in assisting these nations with their development problems. However, it is difficult to locate private resources to work in these countries and the availability of Agency for International Development funds is problematic. The dilemma for PVOs is that they may be given a mandate without the resources to fulfill it.

Recommendations

- **The Agency for International Development should augment funding for institutions and programs located in the poorest of the developing countries.**
- **The Agency for International Development should consider the pros and cons of full reliance on PVOs to administer assistance programs in the poorest of the developing countries. This model has already been tried with success in the Central African Republic and Comoros.**

It is fitting to conclude this report on voluntarism and the future of America's voluntary sector with an observation from Hernando de Soto's pathbreaking book that describes the dynamism of the private informal sector in Peru.

"We are convinced that there exists in Peru an extraordinary reserve of productive human resources which each day demonstrates amazing energy and ingenuity. Its strength is tremendous, for it is overcoming centuries of mercantilist oppression. its very existence is proof of the potentialities which the country has thus far failed to tap. We are convinced that, as the importance of the law becomes recognized, we will find that the real problem is not so much informality as formality."

—Hernando de Soto,
The Other Path

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Over the course of this analysis the committee heard from witnesses representing PVOs, USAID and other international development institutions. Their participation was an invaluable resource and committee members would like to thank them for donating their time and sharing their ideas.

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Committee Background

The Advisory Committee on Voluntary Foreign Aid has long served as a link between the U.S. government and U.S. private voluntary organizations active in relief, rehabilitation and development overseas. First operational as the President's Commission on War Relief Agencies in 1941 and renewed the following year as the War Relief Control Board, the Advisory Committee was established by Presidential directive May 14, 1946. While its focus and responsibilities have changed over the years, its basic mandate is to be a citizen's committee which provides the underpinning for cooperation between the public and private sectors in the U.S. foreign assistance program.

The Advisory Committee's members are private American citizens with a wealth of experience and deep personal interest in international development. They are appointed by and provide advice to the Administrator of the Agency for International Development whom they serve without compensation. Committee members bring with them differing perspectives and expertise which serve to broaden the context within which they raise questions and proffer recommendations to the Administrator.

Members come from a variety of backgrounds reflecting the diversity of the U.S. private voluntary sector. There are committee members with significant experience in cooperative and business development, health, education, finance, law, relief and refugee assistance, and community development.