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**A.I.D.'s "NEW DIRECTIONS" WITH  
PRIVATE AND VOLUNTARY  
ORGANIZATIONS**

**Judith W. Gilmore**

**Development Studies  
Program VI**

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## P R E F A C E

My experience within A.I.D. has been largely confined to the program of assistance to private and voluntary organizations (PVOs). The observations contained in this paper are primarily directed to this particular activity. Nevertheless, these conclusions have broader implications for the overall A.I.D. approach. During the DSP course host nationals talked about their governments' relationships with A.I.D. In evaluating their remarks, I began to think about how the "new directions" should be implemented to obtain the results expected by Congress, developing country officials and committed A.I.D. personnel. I realized that the problems confronted by PVOs are but a microcosm of the larger issues facing A.I.D. in its attempt to carry out the changes in philosophy and program orientation required by the Congressional mandate.

The foreign assistance legislation requires not only a change in planning and programming strategies from growth alone to growth with equity, but even more important a shift in basic values away from the transfer of western technologies and approaches to working within existing cultural traditions and natural ecological systems. Development with dignity for both donor and recipient is a long, difficult and experimental process which requires the freedom to be imaginative and innovative.

In order to carry out this ambitious task, A.I.D. must be structured in the most flexible way possible with appropriate incentives to reward individual initiative and creativity. Instead of strong control mechanisms and standardized procedures, decentralized management would allow A.I.D. Missions greater authority to set their own goals and implementa-

tion schedules in response to the specific country-level situation and priorities. A premium would be placed on sound programming and analysis which reflect a true understanding of the local environment and which encourage maximum participation by host country people rather than on quantities of money obligated and rigid deadlines. In such a way, A.I.D. could help to foster a climate of mutual respect which would better enable the U.S. Government and the American people to respond to the exigencies, economic and political, of an interdependent world. Given the scope and interrelated nature of these issues, I hope that this paper will be read and applied in its larger context.

## INTRODUCTION

"Americans of all ages, all stations in life, and all types of disposition are forever forming associations.... if they want to proclaim a truth or propagate some feeling by the encouragement of a great example, they form an association. In every case, at the head of any new undertaking, ....in the United States you are sure to find an association."<sup>1</sup>

-Alexis de Tocqueville

De Tocqueville believed that democracy, by weakening the barriers of class and privilege, inspired the compassion of Americans for humanity and the less fortunate. Voluntary organizations, later supplemented and supported by government, have embodied this tradition.<sup>2</sup> In sharp contrast to U.S. official assistance which has been declining as a percentage of GNP since the early years of the Marshall Plan, U.S. private contributions overseas have generally been mounting in dollar values and have been third only to Sweden and Switzerland among the larger donor nations in per capita terms. (Refer to Table 1)

Voluntary assistance is not only increasing relative to governmental aid but its quality has taken on added significance in light of the Congressional mandate. Voluntary assistance is emerging as a valuable and viable supplement to bilateral and multilateral aid in establishing the kind of dynamic human relationships that are the preconditions for any workable development program. Moreover, voluntary agencies are vehicles

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<sup>1</sup>Commission on Private Philanthropy and Public Needs, Giving in America: Toward a Stronger Voluntary Sector (1975), p. 40.

<sup>2</sup>See Merle Curti, American Philanthropy Abroad: A History (1963), for a detailed account of the role and functions of voluntary agencies in American Society.

TABLE 1

## Private Voluntary Overseas Assistance

	<u>Total Private Contributions</u> (millions of dollars)					<u>Per Capita Contribution</u>					<u>Contribution as</u> <u>Percent of GNP</u>				
	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>
United States	804	735	905 <sup>1</sup>	699	599	\$3.76	\$3.47	\$4.30 <sup>1</sup>	\$3.20	\$2.89	.05	.05	.07 <sup>1</sup>	.06	.06
German, Fed. Rep.	205	177	157	124	108	3.32	2.86	2.54	2.00	1.77	.05	.05	.05	.05	.05
Canada	67	57	78	54	49	2.94	2.53	3.55	2.46	2.23	.04	.04	.07	.05	.05
United Kingdom	53	61	56	50	46	0.95	1.08	1.01	0.90	0.83	.02	.03	.03	.03	.03
Sweden	39	33	30	27	24	4.76	4.03	3.67	3.35	2.91	.06	.06	.06	.07	.07
Switzerland	32	28	20	20	14	5.01	4.28	3.12	3.11	2.21	.06	.06	.06	.07	.06
France	15	13	10	8	7	0.28	0.23	0.18	0.15	0.13	.005	.005	.004	.004	.004

<sup>1</sup> Contributions resulting from the Middle East war in 1973 explains this unusually high figure.

Source: Development Assistance Committee Report, Development Co-operation, 1976 Review.

through which individual Americans can express their affinity for the peoples of the Third World and through which they can learn about the real causes and effects of poverty. Can the U.S. private and voluntary sector meet this challenge? Can it share the best of the American heritage while shedding what might be selfishly motivated, paternalistic in style or ethnocentric in origin?<sup>1</sup>

This paper cannot attempt to answer these terribly important questions. Nor will it attempt to evaluate the effectiveness of voluntary agencies in executing replicable projects which spread to masses of the rural poor, criteria by which the success of PVO programs are all too frequently measured. It is based on the presumption that U.S. voluntary organizations have a vital role to play in the development process by their very nature and by the opportunity they provide to the American public to participate through a personal commitment as well as financially in an interdependent world.

Whatever their achievements, which are indeed substantial in the development arena, PVOs, in their diversity of programs and approaches,<sup>2</sup> are the manifestations of a pluralistic society. They reflect the generosity and compassion of the American people. An energetic, responsive

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<sup>1</sup>For a fuller discussion of these issues, see John Sommer's unpublished manuscript on voluntary organizations available through the Overseas Development Council.

<sup>2</sup>PVOs are presently operating programs in such diverse areas as rural community development; small farmer credit; small-scale enterprise promotion; development of cooperatives and credit unions; establishing low-cost health delivery systems; literacy, vocational and management training; appropriate technology; improved nutrition; and soil and water resources. This diversity of programming, nevertheless, converges in a common philosophy and operational style which distinguishes the PVO community from other donors. This paper will try to capture the uniqueness of this community as a whole rather than the variety of experiences of individual PVOs.

and independent third sector is especially meaningful today, both on the domestic front and globally, to counterbalance the dominance of government and business and to work towards a more collaborative and just international order. Overseas, the efforts of U.S. voluntary agencies to strengthen their indigenous counterparts, to involve women in the development process and to stimulate local initiative can only create an atmosphere more favorable to human rights and individual responsibility.

Yet in order to accomplish these objectives some agencies have grown increasingly dependent on government for their sustenance and support.

"This ever increasing amount of involvement by government in the finances of nonprofit organizations presents a dilemma for the non-profit sector. On the one hand, government money is needed - is a matter of life or death for many organizations... On the other hand, government money obviously comes with strings attached, however invisible and unintentional they may be."<sup>1</sup>

Unavoidably this association with government influences the way voluntary agencies go about their business. This paper will focus primarily on the evolving partnership between the voluntary agency community and the U.S. Government, particularly over the past three years, its problems and successes, and ways to enhance this relationship.

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<sup>1</sup> Commission on Private Philanthropy and Public Needs, Giving in America: Toward a Stronger Voluntary Sector (1975), p. 96.

## Background and Progress to Date

Three years ago, A.I.D. with the community of voluntary agencies, developed a new approach to the programming of PVO activities, generated partially in response to the Congressional mandate for the expanded participation of PVOs in development work in the LDCs and partially from a growing realization within A.I.D. of the special qualifications and attributes of PVOs in relating to people-level needs and social equity considerations. PVOs were to be treated not only as project planning or implementation resources but as programmers of whole segments of development action in line with the new objectives of the 1973 Foreign Assistance Act.<sup>1</sup>

The original conceptualization of this program was comprehensive in scope comprising an expanded level of PVO responsibility overseas as well as an extensive effort to create a more equal relationship between A.I.D. and the PVO sector. It was based on the belief that PVOs possessed a special strength and creativity in responding to the problems of the "poorest majority", the target population which would be receiving primary attention in A.I.D. programming. Voluntary agencies were seen as working successfully with the human disenfranchised, in closer communication with their basic needs for jobs, higher incomes, food, health, education and family planning. They were thought to have greater flexibility and mobility in their mode of operations and were viewed as innovative and

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<sup>1</sup>Bureau for Population and Humanitarian Assistance, "Progress, Problems and Future Policies in A.I.D.'s Relationship with Private and Voluntary Organizations (PVOs)", September 24, 1975, p. 1.

Other governments, such as the United Kingdom, France and Belgium, were also exploring similar initiatives with the nonprofit organizations in their countries and looked at the U.S. experience as they designed their own programs.

bold in the design and execution of model approaches which could be replicated relatively inexpensively.

There were other appealing benefits of increased cooperation with voluntary agencies. They could marshal the support and resources of their constituencies for development and foreign aid in general, thereby strengthening the bond between the American people and their counterparts in the developing world. Two separate public opinion polls commissioned by the Overseas Development Council and the Chicago Council on Foreign Relations showed a marked preference for, and confidence in, private organizations over government as implementors of foreign assistance programs. Voluntary agencies were seen to be instrumental in bringing about technological transfers in the absence or reduction of bilateral technical assistance.

To enhance the planning and operational capabilities of PVOs to carry out development activities more effectively, A.I.D. instituted a specially earmarked fund for two new grant mechanisms, Development Program Grants (DPGs) and Operational Program Grants (OPGs). Consulting with the PVOs, appropriate guidelines, proposal formats, and procedures were drawn up, and a series of complementary activities (workshops, information exchanges, encouragement of consortia arrangements, specialized training programs) were planned. A continuing program of interchange and dialogue was contemplated to include several facets: periodic exchanges of visits between A.I.D. and PVO personnel; briefings in the field for AID Mission and PVO representatives; home leave consultations between PVO and A.I.D. staff; opportunities to attend training programs of mutual interest; and joint participation in the orientation of new personnel. PVOs would

no longer be "hired hands", functioning under A.I.D. contracts as in the past, but contributors of ideas and experience to a collaborative program development effort.<sup>1</sup> For their part, PVOs were to assume a greater responsibility in programming, management, and relationships with host governments and private institutions overseas to assist A.I.D. in attaining the objectives defined in the 1973 Foreign Assistance legislation.

In order to engage fully the energies of the PVO community in more developmental pursuits with A.I.D., various activities were undertaken to sensitize both A.I.D. and PVO staff to each other's style and capabilities and to the mutual advantages of working together. Several meetings and workshops have been organized by A.I.D. and the Overseas Development Council to facilitate an improved communication and technical exchange: the Development Assistance Policy Conference of April, 1974 which inaugurated the new program; a meeting on Grant Administration Procedures in October, 1974; three workshops on rural development during 1975 and a second series on the specific functional categories. Additionally, small seminars were organized around Food for Peace, Ocean Freight and Women in Development questions to work out administrative problems or to discuss operational strategies. Finally, in November 1976, a DPG round-up conference was held to assess the impact of these grants on the agencies, on overseas operations and on host country counterparts. Plans are now in process to undertake a series of workshops in A.I.D. with the Regional Bureaus and then more symposia for PVO and A.I.D.

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<sup>1</sup>AA/PHA, Action Memorandum for the Administrator, "Action Steps to Enhance A.I.D.'s Relationships With Private and Voluntary Organizations, including U.S. Cooperatives, in LDC Development Activities", February 5, 1974, p. 13.

field personnel in the geographic regions.

Voluntary agencies need to be more intimately tied into A.I.D.'s research on new technologies, to be wired into the work of scholars at the universities. Developing ways for sharing this information through some kind of networking is high on the agenda for the immediate future. A consultant contracted by the Technical Assistance Information Clearing House of the American Council of Voluntary Agencies for Foreign Service (TAICH) is exploring how PVOs can more effectively share information among themselves. He has developed several possible models for an expanded TAICH information system to mesh with the identified needs of PVOs and the procedures that have already been established for information coordination.

Cooperatives are becoming more closely involved in sectoral planning at an early stage. In selected instances, on an exploratory basis and relating to countries in which they have expressed a special interest, A.I.D. has agreed to share its country development programs. The cooperatives have expedited the process by joining forces in a Cooperative Resources Committee to involve the entire community of U.S. Cooperatives in joint program planning. Similarly, other voluntary agencies are beginning to organize themselves into coordinating groups, coalitions and consortia to increase their effectiveness in developing integrated programs, to share resources and expertise and to provide professional staff support services on a more comprehensive scale.

Training programs in project design and evaluation and development administration have been opened up to voluntary agency staff members. Many PVOs, under the DPG and other auspices, are conducting similar training seminars for their field representatives and local staff. Mechanisms are now being devised to enhance the role of these service-

oriented private organizations and consortia groups in providing administrative and financial management skills to smaller agencies and host country organizations which cannot afford such assistance on a permanent basis. The New TransCentury Foundation has received the first grant of this type for two purposes: to strengthen the institutional structure of PVOs in the areas of general management, staff recruitment, training, and short-term technical assistance; to establish a Secretariat for Women in Development to help PVOs evaluate the impact of their overseas projects on women and identify opportunities for innovative programming to integrate women more fully into their national economies.

Remaining Issues and New Approaches

In order to consolidate the progress that has already been achieved and solidify this closer AID/PVO relationship, some basic issues which have plagued this program from its inception must finally be confronted and resolved. In stepping up its support for PVO programs, A.I.D. has encountered serious organizational, procedural and funding problems which strike at the very core of this relationship. These problems have been handled up until now in an ad hoc manner within the strictures of a bureaucratic system with its inevitable rigidities, power struggles and control mechanisms. In my opinion, legislative initiative is the only recourse for bringing about some resolution of these underlying issues so that A.I.D. or any other institution will be in an optimal position to respond to the rising expectations of the PVO community and the strong endorsement by the House International Relations Committee of A.I.D.'s policy for enhancing and expanding PVO activities overseas. This paper will present the major issues and recommendations for their resolution, as follows:

- 1) Independence vs. Accountability
- 2) The Role of the Advisory Committee on  
Voluntary Foreign Aid
- 3) Centralized Management of PVO Programs
- 4) Funding Authority
- 5) Identification with U.S. Foreign Policy  
Interests

Although these issues have been singled out for clarity of discussion, they are intimately related and stem from a fundamental ambivalence over

the nature of A.I.D.'s collaboration with PVOs.

Many of these issues surfaced during the initial planning and implementation of the PVO set-aside program, specifically at the time of the task force meetings on the Guidelines.<sup>1</sup> In an attempt to reconcile the conflicting A.I.D. Bureau positions and to expedite the initiation of the program, a compromise was reached which glossed over the main differences. The problem was exacerbated in the absence of any allocation of funds specifically for the OPGs and was further compounded by allowing the individual Bureaus discretionary authority in determining country and program eligibility. Moreover, little action was taken to modify the administrative provisions presently required for specific support grants, which do not vary significantly from the traditional contract agreement. No clear-cut decisions on the issues has yet been made, and the problems have been allowed to incubate and fester as available resources have become incrementally more constrained and competitive with each other.

#### Independence vs. Accountability

From the time A.I.D. began to work with voluntary organizations, it has carefully guarded the freedom of action and vitality of these agencies. It was recognized that the imposition of A.I.D.'s own rules, systems and priorities on the voluntary community could be harmful to, if not destructive of, those very aspects of voluntarism which are crucial to conducting development programs directed at the rural poor. In tandem with this concern has been the realization that government resources must be scrupulously accounted for. The Senate Appropriations

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<sup>1</sup>See AA/PHA, Action Memorandum for the Administrator, "Outstanding Issues on Operational Program Grants to Private and Voluntary Organizations", February 10, 1975, for a discussion of the three major issues.

Committee has continuously pointed out this dilemma as has the General Accounting Office in a recent report.<sup>1</sup>

Voluntary agencies, themselves, share A.I.D.'s concern for accountability to donors and taxpayers for the use of public funds; they are also exploring how they can better live up to the standards set by A.I.D. and the Congress while, at the same time, meeting the expectations of their own various constituencies. They recognize that A.I.D. is bound by certain statutory restrictions and regulations which are prescribed in the Foreign Assistance Act of 1961, as amended, as well as by general agreements reached between host governments and the U.S. in the context of A.I.D.'s bilateral programs.

Many of the constraints, however, that are applied to PVOs are not necessarily derived from statutes or bilateral agreements. They have been established by administrative regulations which have accumulated over the years and which are codified in A.I.D.'s Grants Handbook. These include such restrictions as prior approval for all A.I.D.-funded travel and all subordinate agreements initiated by PVOs, the application of capital project determinations and requirements to relatively small PVO projects, and procurement regulations which have been developed for large purchases through normal commercial channels. Such practices were needed perhaps to handle commodity shipment programs of the past but are not conducive to PVO operations where timeliness, flexibility and sensitivity are vital to establish trust and confidence. For these very reasons, many of the boilerplate provisions contained in the majority of PVO grants have already been eliminated in the case of

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<sup>1</sup> Comptroller General of the United States, Channeling Foreign Aid Through Private and Voluntary Organizations, Agency for International Development (May 5, 1976).

emergency relief funds. Under special circumstances when PVOs have adopted A.I.D. procurement or personnel policies, general understanding prior to grant approval have replaced much of the restrictive language presently contained in grant agreements. The draft terms and conditions of the newly formed Appropriate Technology Institute now being discussed within A.I.D. virtually remove the constraints on ineligible countries, subordinate agreements and procurement. So in some exceptional cases, A.I.D. has been able to remove these encumbrances which are not only detrimental to the image and impact of PVOs in the field but are constant reminders of A.I.D.'s superior presence and control.

A more insidious encroachment on the PVOs' self-respect and integrity is the manner in which they are treated by some A.I.D. staff who, possibly because of frequent turnover, are not cognizant of PVO approaches and potentials. Despite a valiant effort to educate A.I.D. mission directors and personnel to the mutual benefits of working with PVOs in jointly planning projects and sharing information, many of the Missions are not presently constituted to handle an expanding relationship with PVOs. Contact and coordination with PVOs is often organized on an informal basis, due to personal interest and initiatives, rather than with official sanction. Evidence is accumulating that some Missions view PVOs as competitors with A.I.D.-sponsored programs and use their travel concurrence rights to obstruct PVO visits to their countries. Also, in some instances, A.I.D. officials act in a peremptory manner imposing their will with little respect for PVO insights and concerns. These are all symptomatic of the same approach to project management - an inclination to tighten control over PVO activities, to mold PVOs to A.I.D.'s way of thinking, even for

emergency relief funds. Under special circumstances when PVOs have adopted A.I.D. procurement or personnel policies, general understandings prior to grant approval have replaced much of the restrictive language presently contained in grant agreements. The draft terms and conditions of the newly formed Appropriate Technology Institute now being discussed within A.I.D. virtually remove the constraints on ineligible countries, subordinate agreements and procurement. So in some exceptional cases, A.I.D. has been able to remove these encumbrances which are not only detrimental to the image and impact of PVOs in the field but are constant reminders of A.I.D.'s superior presence and control.

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those programs which are not funded directly by A.I.D., rather than cooperate as equal partners.

Even those Bureaus which accept the importance of PVOs as valuable resources and have substantially delegated project approval authority to their field Missions have not set up review procedures that take into account differences in size and complexity of the projects being examined, the PVO's own input, and the particular experience and operational style of the agency involved. While all Bureaus have strived to telescope the project review process, in general the same rigor of examination and justification is applied as well as the same requirement that PVO projects be relevant to A.I.D. priorities. Moreover, the diversity of policies and activities among the Bureaus and A.I.D. Missions in interpreting the guidelines and in administering OPG grants has increased the workload for PVOs which contend that they spend an inordinate amount of time complying with A.I.D. requests and requirements without receiving adequate feedback and support.

While some of these problems have been resolved in meetings with PVOs and on paper in revised policy statements and simplified approaches, the underlying issue, however, one of attitude and sensitivity, remains. This question is inherent to the A.I.D. review process and grant administration procedures; it is at the heart of what difficulties A.I.D. has had in communicating with PVOs. Until these basic premises are squarely examined, reaffirmed and promulgated throughout A.I.D., many voluntary agencies will continue to feel defensive and misunderstood, and A.I.D.'s own internal management conflicts will persist.

Rather than impose our own priorities and methodologies on the PVOs,

the DPG was created to assist them in establishing planning, evaluation, and management systems which would be responsive to their own specific needs and motivations and would obviate the need for strict A.I.D. control. What is lacking is a keen enough sensitivity to PVO strategies and objectives at the local level as well as a receptivity on the part of the Bureaus to working within these systems as they are developed. Institutionalizing flexibility in project review and grant administration procedures becomes an extremely difficult task so long as the individual Bureaus have discretionary authority to determine their own eligibility rules and criteria and so long as grant agreements are written so restrictively.

#### The Role of the Advisory Committee on Voluntary Foreign Aid

The Conference Report on the FY 1977 Appropriation Act directs A.I.D. to establish by March 1977 a Registry of PVOs to be operational by October 1977. In setting up this expanded Registry, the Office of Private and Voluntary Cooperation (PVC), in conjunction with the Advisory Committee on Voluntary Foreign Aid,<sup>1</sup> has developed specific criteria and documentation requirements to be applied to any PVO requesting commodity or financial support from A.I.D.<sup>2</sup> As currently conceived, registration is seen as the first step in a three-stage process leading to the transfer of resources to a PVO. PVC would be responsible for only phase one with phases two and three being administered by other

<sup>1</sup> The registration function originated with the World War II Relief Control Board which regulated shipments of war relief supplies. The Board licensed fund-raising efforts and exempted agencies from the Foreign Agents Control Act. In May 1946, by Presidential directive, the Advisory Committee succeeded the Board. Registration became the channel through which government subventions became available to voluntary agencies.

<sup>2</sup> See Appendices A and B, Drafts of Conditions of Registration and Registration Documentation,

**Bureaus with appropriate management and program authority.**

**Phase one: Registration - examines the credentials of an organization to qualify for minimum eligibility;**

**Phase two: Pre-grant award surveys and country program approvals - determines managerial competence and finance accountability for organizations seeking grants and contracts and provides country program validations for those seeking subventions;**

**Phase three: Program effectiveness - reviews specific program purposes, objectives and results leading to decisions relative to actual resource transfers, whether these be grants, contracts or subventions.**

One of the major benefits of such a Registry will be to unify in one central place within A.I.D. a listing of agencies with the interest and acumen to participate in development assistance overseas. Similar to the proposed roster of universities to be compiled by the Board for International Food and Agricultural Development under Title XII, the registration procedure should allow the Committee to have a more direct impact on A.I.D.'s policies and programs affecting Agency initiatives and relationships with PVOs. In this regard an enhanced advisory role for the Committee is envisaged involving membership changes and charter revisions. If formally charged, the Committee could also act as a positive integrating force for the variety of

disparate A.I.D. activities with PVOs, including Food for Peace and disaster relief. The planning and coordination of emergency and P.L. 480 Title II programs with other PVO developmental projects becomes more imperative as distinctions between relief, rehabilitation and development become increasingly blurred. The longer-range implication of these programs are frequently lost when the opportunities for continued development are not foreseen from the earliest planning stages.

Recognizing the importance of integrating Title II commodity grant programs with other A.I.D. and host country development resources, the Food for Peace Office has proposed a series of initiatives to achieve more careful planning at the country strategy, programming and individual Title II project levels. This will be facilitated by the recent statutory guarantees of 1.3 million metric tons (grain equivalent) of food per year for Title II purposes. Gradually Title II commodity distribution activities are evolving into full-fledged developmental efforts. For example in Tunisia the facilities of an existing pre-school feeding program will be utilized to provide preventive health and health education services for the community. Food for work projects, if properly designed, can contribute significantly to employment of the poor as well as to the creation of essential infrastructure for rural development.

Similarly, the organizational and coordination mechanisms that frequently result from disaster relief operations should be marshalled for rehabilitation and development goals. All too often the potential for collaborative approaches is not exploited and the informal structures which have evolved from the emergency experience dissolve once the

the immediate need is answered.

The Advisory Committee has played an essential role in stimulating discussions of these problems and relationships. The Committee has actively supported the ongoing dialogue between the Food for Peace Office and the PVOs; it has initiated a series of meetings with the Office of U.S. Foreign Disaster Assistance on the coordination of PVO emergency relief activities both in the U.S. and in the host countries. With A.I.D., it has been instrumental in assisting the PVOs' own efforts to move from their traditional relief approaches to the design and implementation of longer-term strategies. As PVOs reorient their internal structures and reallocate their own resources and as the Advisory Committee rethinks its role, A.I.D. is equally compelled to examine how it can best be organized to integrate its own policy and operational functions vis-à-vis PVO programs.

Centralized Management of PVO Programs

If we look at the comprehensive picture of A.I.D.'s assistance to PVOs, there is a panoply of programs and relationships scattered throughout the agency which reflect differing conceptions of the role and competencies of PVOs. This assistance comprises the traditional subventions to registered voluntary agencies described above (P.L. 480 Title II, excess property, overseas freight reimbursement) as one distinct category, and a range of contracts and grants financed from various funding mechanisms, such as disaster relief, general program support, co-financing programs, OPGs and DPGs, and activities funded directly under the bilateral program. Some agencies have as many as twenty-seven separate and distinct grants and contracts with A.I.D.'s various regional

and functional Bureaus in addition to substantial U.S. Government subventions. And as discussed earlier, each Bureau or program has its own approach, special interests and eligibility requirements which further impede an integrated approach to decision-making, management and budgetary functions.

In instituting the new PVO policy in April 1974, it was hoped to involve all the A.I.D. Bureaus and Missions in the process of learning about PVOs. Two separate grant mechanisms were created for this purpose: DPGs which were to be administered centrally and OPGs which were to be primarily managed by regional Bureaus and Missions. As a result, a somewhat artificial dichotomy developed which diluted even further any chance for a unified PVO program. In actual practice, this approach has proven overly cumbersome and counter-productive to A.I.D.'s relationship with PVOs. Integrating DPG elements with OPGs into a general purpose grant, with control vested in one particular Bureau would have greatly facilitated grant administration and project management; fewer controls and less monitoring would have been required after the initial agreements were negotiated. Nevertheless, regional and functional Bureaus will not willingly relinquish their administrative control over PVO programs.<sup>1</sup> They are insistent that the planning, programming and management functions for OPG-type grants remain exclusively with them in order to ensure that PVO activities fit appropriately within A.I.D. country,

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<sup>1</sup>While PVO projects funded under A.I.D.'s regular programs should conform to these criteria, OPGs were meant to be more flexible grant mechanisms. Any reorganization envisioned in this paper would not affect grants and contracts to PVOs which are incorporated into the bilateral program or those centrally funded programs which are directly linked to an A.I.D. key problem area, such as nutrition. These programs would remain with the appropriate Bureaus and would be handled through regular contractual negotiations.

regional, or sectoral priorities and strategies.

Despite this operational decentralization the Bureau For Population and Humanitarian Assistance is now looked to by the Congress, by the PVOs and by the public for information on activities and capabilities of voluntary agencies. De facto if not de jure, PVC has assumed a coordinating or leadership role in creating and exploring approaches to enlarge the role of voluntarism, formulate agency policy in the area of voluntary agency participation, and monitor those activities to ensure conformity with A.I.D. policy. These functions could be carried out more expeditiously with a strengthened policy and program staff, more management personnel and an administratively consolidated program.

To accomplish these objectives, both the General Accounting Office and a recent Senate Appropriations Committee report have recommended a centralization of voluntary agency activity within A.I.D.:

"The findings of the GAO study are generally supportive of the Agency's programs for assisting the PVOs. It was noted, however, that A.I.D. lacks a central office through which voluntary agencies could apply for grants and contracts and to which they would stand accountable. Illustrative of the problems which can arise from this administrative inadequacy is the case of one PVO which had twenty-seven contracts or grants in effect during fiscal year 1975 which were administered by seven regional and functional bureaus in Washington and one overseas mission. The GAO found that each A.I.D. Bureau had its own management style, criteria, and priorities to which the PVO was required to conform.

The Committee expects that the Agency will respond to the findings of the GAO report by establishing a central office to improve

the management of PVO contracts and coordinate the services procured from this source. We recognize that A.I.D. has moved quickly to respond to the call for greater support of the PVO's. In doing so it has encountered some administrative difficulties and, we believe, simply overlooked some of the problems identified in the GAO report. The Committee is prepared to support A.I.D. in its efforts to resolve these problems.<sup>1</sup>

Centralization of authority bolstered by a consolidation of information and services in one Bureau would not only improve A.I.D.'s relationship with PVOs but would result in more timely implementation of their projects in the field. A realignment of responsibilities would remove the operational distinction which has been made between OPGs and DPGs and would lead to the establishment of funding mechanisms which are more responsive to the critical needs of PVOs than to A.I.D.'s jurisdictional disputes.<sup>2</sup>

#### Funding Authority

The same fragmentation of control that has been described with regard to program responsibility is paralleled with funding authority. Appropriations for PVO activities come from a variety of sources: most of the centrally managed programs are funded from the Selected Develop-

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<sup>1</sup> Senate Committee on Appropriations, Foreign Assistance and Related Programs Appropriation Bill, 1977 (H.R. 14260), Report No. 94-1009 (June 29, 1976), p. 46.

<sup>2</sup> The Canadian International Development Agency's Nongovernmental organizations Division has a totally centralized operation which is relatively isolated from the rest of the Agency's intervention. While project proposals are circulated for comment and advice, the final decisions are made exclusively by this Division which also determines and negotiates the terms of contractual agreement. This Division is renowned for its special sensitivity to the concerns of PVOs which is reflected in its administrative procedures and the attitudes of staff, many of whom come from the PVO ranks.

ment Problems account (Section 106) and the Education and Human Resources Development account (Section 105) although these accounts along with the other Development Assistance accounts (Sections 102, 103, and 104) support major PVO activities in the geographic and functional Bureaus. Food for Peace Title II resources as well as disaster relief assistance are also provided to PVOs under the Agricultural Trade Development and Assistance Act and Chapter 9 of the Foreign Assistance Act.

With the creation of the 1974 program for PVOs, additional funds were specifically earmarked for DPGs while OPGs were to be financed from regular Bureau budgets. Since OPGs are presently allocated under the functional categories on a regional basis instead of from centrally managed funds as was originally intended, the regional Bureaus are ultimately obliged to divert funds from their official bilateral programs to support PVOs. Understandably, they feel that PVO projects should conform to their determination of priorities and eligibility requirements. Instead of acting as a stimulus for increased PVO activity the set-asides have, in other instances, supplanted ongoing mechanisms for funding PVO programs. Some Bureaus have loosely interpreted the Guidelines to include all PVO programs whether development-oriented or not while other Bureaus, because of the overwhelming influx of PVO proposals, have understandably tightened their procedures and requirements. A genuine agency-wide centrally administered fund would have alleviated many of the tensions involved in allocating scarce resources, making PVO activities less competitive with regular bilateral projects.

Recent experience suggests that requests from PVOs will continue

to escalate for the foreseeable future as the delayed impact of the DPGs and the growing developmental visibility and focus of voluntary agencies take hold. The amount of funds reserved for these grant mechanisms to date seem small given the immensity of the problems: 31 DPGs and 94 OPGs totalling over \$27.6 million through the transition quarter. The demand for \$30 million in FY 1977 already substantially exceeds the estimates contained in the CP, and the projections for FY 1978 are close to \$40 million, including some of the newer concepts such as management development assistance, capital development funds, and support to consortia groups.

Although many PVOs are now expanding their own commitment to a development role abroad with contributions from their private constituencies and other donors, some PVOs are proposing a stronger and more permanent relationship with A.I.D., with both partners providing additional resources for the performance of developmental functions. Congress, however, has expressed concern over establishing excessive dependence on U.S. government funding.<sup>1</sup> A Conference Report for the House and Senate Appropriations Committee has directed A.I.D. to establish funding guidelines which will restrict the level of general support grants to any PVO to an amount which does not exceed 50 percent of the annual cash requirement of overhead and personnel compensation

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<sup>1</sup>The charitable income tax deduction is perhaps the only way for government to support private giving with a minimum of direct involvement. The Commission on Private Philanthropy and Public needs has proposed several tax reform measures which would create incentives for low and middle income individuals and corporations to expand their charitable contributions. Similarly, the West German and Swedish Governments have instituted supplementary income taxes to be used by church institutions in part for development aid overseas.

costs of that organization.<sup>1</sup> This restriction could negatively affect current programs with at least thirteen organizations and would seriously hamper any expanded partnership relationship that may be envisaged. For it is precisely in the financing of administrative expenses rather than project activities that A.I.D. can make its major impact on the support of many organizations. Private donors prefer to contribute to a particular project or tangible activity, and grants or contracts alone cannot always produce enough income to cover those program development functions which are essential for effective delivery of services to the rural and urban poor. Alan Pifer, President of the Carnegie Corporation, suggests that general program support should come from public sources in order to strengthen nongovernmental organizations as a viable alternative to government.<sup>2</sup> Financial stability, in one sense, could preserve the autonomous nature of voluntary agencies rather than lead to a greater dependency relationship.

The Donee Report in its criticism of the approach, scope and recommendations of the Commission on Private Philanthropy and Public Needs focuses attention on this issue from a different perspective:

"The changing relationship between the public and private sectors has not been analyzed and no recommendations for the future have been made. The Commission has failed to answer two basic questions. The first is: Which public needs should be met by private non-profit groups and which by public bodies? The second is: Which needs should be met with government funds and which with philanthropic funds? Not only has the Commission

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<sup>1</sup>Committee of Conference, Making Appropriations for Foreign Assistance and Related Programs for the Fiscal Year Ending September 30, 1977 (H.R. 14260), Report No. 94-1642 (September 21, 1976), pp. 5-6

<sup>2</sup>Alan Pifer, The Nongovernmental Organization at Bay, Reprinted from the 1966 Annual Report, Carnegie Corporation of New York.

failed to clarify these issues, it has further confused them by equating public funding with public auspices. The Commission should have dealt with finding ways to preserve the independence of non-profit groups while providing them with necessary government funding.<sup>1</sup>

The same dissatisfaction can be expressed with the Senate Appropriation Committee's attempt to define voluntarism purely in financial terms. Private nonprofit agencies by their very nature strive to keep their general and administrative costs to a low level. The above formula penalizes those smaller agencies with low overhead and an increasing proportion of their administrative budgets coming from the public sector. What is a more meaningful indicator of dependency than magnitude or percentages is the quality of the relationship: the level of confidence expressed and the amount of regulation that is imposed. It is here that A.I.D. falls short in its accomplishments, not in the conceptualization of the program nor in the sums of money which have been allocated to voluntary agency programs.

#### Identification with U.S. Foreign Policy Interests

While there are definite tensions and frustrations in dealing with government bureaucracies, there are perhaps even more serious ramifications for nonprofit agencies operating overseas which become inevitably intertwined with U.S. foreign policy objectives. Host country peoples are frequently suspicious of the motivations of American private agencies and often view them as appendages of their govern-

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<sup>1</sup>The Donee Group, Private Philanthropy: Vital and Innovative or Passive and Irrelevant? (1975), pp. 5-6

ment. The disclosures stemming from the recent C.I.A. investigations have further undermined the credibility of these organizations in the eyes of the Third World. This association can also, in some circumstances, endanger those local institutions with whom American PVOs are collaborating.

Such an identification with U.S. foreign policy interests becomes even more difficult to avoid when there is a direct financial tie with the U.S. Embassy. The field structure of the U.S. foreign policy establishment reinforces this dependence; agencies are more obliged to work through Embassies and host government bureaucracies which further alienate them from the populations with whom they are trying to work. Moreover, they become subject to sudden policy determinations which affect their ongoing programs; for example A.I.D. could not authorize PVO travel to India when American assistance was cut back for political reasons, and PVO projects in some A.I.D. graduate or phase-out countries have not been approved on economic grounds.<sup>1</sup> Finally, agencies are more constrained in speaking out against government positions or in undertaking development education programs for their own contributors at home if they are receiving government funding. As a result, they may not be as responsive to either their overseas or domestic constituencies in creating real people-to-people relationships and understanding.

For these and other reasons, as early as 1965, the Watson Commission considered generating one or more non-profit, quasi-private institutions:

"Such institutions could receive funds

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<sup>1</sup>The Latin American Bureau will not support a PVO activity in graduate or phase-out countries unless it is part of a regional program.

directly from the Congress, on contract from AID, from private resources such as foundations and other organizations, and from foreign governments. These institutions should be subject to as few of the restraining governmental regulations and statutory requirements as possible, consistent with the need to account for the expenditure of their funds... Ideally they would tend to reduce the sense of frustration and delay which non-profit organizations often feel in their dealings with government; they would tend to shorten the line of communications in technical assistance programs, so that policies agreed at the top between AID and the non-profit organizations were not subject to frustration in the field; and they would tend to remove from publicly-funded technical assistance programs the political constraints inherent in AID which reduce the effectiveness overseas of AID's technical assistance program and which discourage the coordination of private and public assistance efforts.<sup>1</sup>

Later in 1970, the Peterson Commission recommended the creation of a new U.S. International Development Institute which would in part provide:

"Support of social development, designed to assure popular participation through organizations such as cooperatives, labor groups trade associations, and civic associations, and through community development programs."<sup>2</sup>

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<sup>1</sup>Arthur K. Watson, "Foreign Aid Through Private Initiative," Report of the Advisory Committee on Private Enterprise in Foreign Aid, 1965, p. 50.

<sup>2</sup>Rudolph A. Peterson, "U.S. Foreign Assistance in the 1970s: A New Approach," Report to the President from the Task Force on International Development, March 4, 1970, p. 30.

It further suggested that:

"An increasing proportion of the work should be carried out largely through private channels--universities, scientific organizations, business firms, voluntary agencies, and special-purpose organizations in people-to-people and institution-to-institution programs."<sup>1</sup>

This view was echoed in a recent meeting with PVOs with regard to government's institutional support structures for voluntary agency programs, as one of several options to be considered by A.I.D., the PVOs and policy-makers for addressing these concerns:

"...there was widespread feeling that something new and different was needed. Some representatives suggested that maybe there should be a government corporation or a separate institute outside the regular departments of government to relate to and support the PVOs. Such a new organization might be a center for training, technical assistance, and group thinking for the organizations as well as the channel for federal funding of PVO development activities. It might take a lead position in consciousness raising of the American people about the development needs abroad that can best be met through the PVOs. Thus, such a government corporation or institute might go much further than facilitating a new partnership between AID and the PVOs. It could take important leadership in generating a broader partnership between the American people and those engaged in the development business, including those who are the people in need of development."<sup>2</sup>

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<sup>1</sup>Ibid., p. 30.

<sup>2</sup>New TransCentury Foundation, "Report of the Crystal City Conference of Thirty-one Private Voluntary Agencies as Recipients of A.I.D. Development Program Grants," November 15-17, 1976, pp. 27-28.

Several analogies to the private foundation and public corporation approaches described above already exist in practice. The recently chartered Appropriate Technology Institute (ATI) is an example of the creation of a private organization with an independent Board of Directors to avoid the political and bureaucratic liabilities of direct government funding. While funds will be provided from A.I.D.'s budget, as earmarked by Congress, A.I.D. will function in an advisory capacity with no operational control of ATI's programs. The draft document containing the terms and conditions of this relationship has successfully eliminated almost all of the burdensome restrictions contained in normal A.I.D. grant and contract agreements with PVOs.

Another private institute prototype has evolved to act as an intermediary between government and the private sector, to administer public monies and to advise on policy matters. In the Netherlands, for instance, four voluntary agencies representing the various private constituencies (catholic, protestant, non-sectarian and labor) act as a consultative body to the Dutch Government as well as a channel for public funds. Such a decentralized decision-making and peer screening process minimizes political interference and bureaucratic hassles. These intermediary structures are totally accountable to government on behalf of their member agencies.

The public corporation model has many precedents in the Corporation of Public Broadcasting, the National Science Foundation, the National Endowments for the Arts and Humanities, the National Institutes of Health and the Inter-American Foundation. The latter is the example most closely akin to a new Institute for PVOs. It was established by Congress in 1969 to:

the problem of social and economic development...as an alternative to the traditional bilateral and multilateral programs in which the United States has participated."<sup>1</sup>

With a lump sum appropriation to be expended as needed, a seven-member Board was designated to represent both the private and governmental sectors. In other words, the Inter-American Foundation is totally independent of A.I.D. and State Department dominance in the field as well as in Washington, and its elasticity of funding allows for the needed flexibility to carry out its mandate of participatory social change.

A national commission is now being proposed to examine these problems and suggested alternatives with national leaders of the foundation and corporate world as well as government and the voluntary agency community:

"This new initiative should seek to  
1) educate the American public on the requirements of innovative and meaningful development in the Third World; 2) encourage major new support by American private foundations, corporate philanthropies and individuals in the effort; and 3) encourage greater U.S. Government support, preferably through more politically neutral instrumentalities than the current AID/State Department channel."<sup>2</sup>

The commission would focus on ways of assuring sustained support to PVOs through a sharing of responsibilities by private institutions and governmental sources:

"The need for institutional support,

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<sup>1</sup> Dante Fascell, Congressional Record (House), August 26, 1976 pg. 5.

<sup>2</sup> Draft proposal, February 1977, p. 2.

both private and governmental, will always be needed. It is especially needed over the short term while greater understanding and support is being elicited from the American public at large."<sup>1</sup>

At least over the short-term A.I.D. can play a crucial role in providing unfettered support to PVOs and in assisting them to plan for a longer-term solution and more lasting relationship.

#### Summary Conclusions, Options and Recommendations

"A.I.D. and the voluntary agencies are now in a testing period; testing whether these organizations, dedicated to people-to-people programs, can remain steadfast in their approach to the problems of development, while coming increasingly under the influence of a large bureaucracy accustomed to government-to-government assistance programs. The Congress, through its oversight and policy making functions, can give direction to this evolving relationship and safeguard the unique character of the private and voluntary organizations."<sup>2</sup>

This direction is needed now more than ever in order to give proper recognition to the prominent role of PVOs in U.S. development assistance and to shelter PVO activities from the onerous regulations and political pressures applicable to A.I.D. bilateral projects. Government support for the private voluntary sector can be mutually beneficial if it is properly insulated from the bureaucratic mentality and administrative structures which tend to mold PVOs in government's

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<sup>1</sup>Ibid., p. 2.

<sup>2</sup>Senate Appropriations Committee, Foreign Assistance and Related Programs Appropriation Bill, 1976 (H.R. 12203), Report No. 94-704 (March 18, 1976), p. 61.

image. It is doubtful whether a truly collaborative relationship with PVOs based on confidence and understanding can be developed within the Department of State bureaucracy unless drastic changes in organization, attitude and accountability are undertaken. As a first step, A.I.D. will have to relinquish its control over PVO programs and establish mechanisms which are more responsive to the private and voluntary character of these organizations. At the same time, serious consideration needs to be given to alternative funding resources and institutional arrangements which are more conducive to the commitment of PVOs to participatory and process-oriented strategies both at home and overseas.

Despite considerable progress in nurturing new forms of collaboration with PVOs, the present system does not allow for the imaginative leadership, flexibility, feedback and genuine support, not just measured in monetary terms, that is critical at this stage. In many instances, instead of fostering more productive cooperation, current procedures have created antagonisms in our daily communications with PVOs and operational difficulties within the Agency which can only jeopardize this relationship. A fresh look needs to be given to ways of implementing the underlying philosophical premises of this relationship rather than trying to adapt the existing administrative infrastructure to the needs of PVOs. Resolution of these problems takes on even greater significance in light of the burgeoning interest of U.S. government officials, other governments, and the public-at-large in the magnitude, role and foreign policy implications of voluntary agencies' contribution to international development assistance.

The discussion in this paper leads to three possible options for amplifying the dynamic qualities of the PVO sector and improving its relationship with A.I.D. These options need not be mutually exclusive; aspects of all of them need to be addressed urgently in order to take advantage of the potential of these organizations in assisting A.I.D. to carry out its "new directions". To continue as currently constituted with the imposition of additional requirements on PVOs would not only dissipate the momentum which has gathered but would also undermine whatever good will has been established over the past three years. Because of my own particular familiarity with the A.I.D. context and my personal preference for a solution within the Department of State setting, at least until other alternatives have been fully explored with the PVO community, I will present recommendations only for option II which, in my estimation, requires the most immediate attention.

#### A Reinvigorated Advisory Committee on Voluntary Foreign Aid

Option I: To enhance the advisory function and stature of the Advisory Committee on Voluntary Foreign Aid in light of the increased role Congress expects PVOs to play in the planning, development and implementation of A.I.D.'s programs for the poor majority. The scope and influence of the Committee could be modeled after Title II legislation which establishes in Section 298 of the Foreign Assistance Act a Board for International Food and Agricultural Development to participate in the "formulation of basic policy, procedures and criteria for project proposal review, selection and monitoring" of food and nutrition and agricultural research programs. The roster of universities to be drawn up under Title XII is similar to the new Registry of PVOs to be administered by the Advisory Committee.

In an effort to increase its capabilities and expertise, the Committee is contemplating changes in its composition and charter. A truly reinvigorated Committee could perform the necessary task of coordinating and interrelating all PVO activities under the various jurisdictions within A.I.D. and could elaborate the framework for the implementation of the later stages of the registration process. This function would be even more essential in the absence of an internal A.I.D. reorganization as recommended below. While the Advisory Committee would not have operational control or administrative responsibility, the policy coherence and overview of programs that it could provide would facilitate significantly the ability of PVOs to communicate and work effectively with A.I.D.

#### Internal A.I.D. Reforms

Option II: To reorganize and streamline A.I.D. so that administratively and operationally A.I.D. programming would be consonant with the PVOs' own philosophy, systems and objectives and supportive of a relationship of mutual trust. The following recommendations are made in the hope that the new A.I.D. Administrator and the Congress will consider incorporating them into appropriate legislative action:

- 1) It is recommended that all private and voluntary organization activities outside of regular government-to-government channels be consolidated in the Foreign Assistance authorization and appropriation bills in a separate chapter, title or line item which treats the totality of A.I.D.'s relationship with PVOs. A more prominent presentation of the PVO program would highlight the vital contribution of PVOs to

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U.S. foreign assistance efforts and Congress' continued interest in improving this collaboration. Such a consolidated authorization and appropriation would also shield the PVO program from the vagaries of budget manipulations and help to preserve as much continuity as possible for planning purposes short of multi-year funding.

2) In similar fashion, a single Bureau, concentrating solely on PVO affairs, should be established by Federal regulation in accordance with the new Congressional mandate suggested in the above with sufficient stature to raise the visibility and importance of PVO programs within the A.I.D. decision-making structure. This Bureau will have overall responsibility for A.I.D.'s relationship with the PVO community, including policy and program initiatives, liaison, data collection and the administration of all funds earmarked for PVO grants and contracts. Moreover, this central Bureau, in conjunction with A.I.D.'s Advisory Committee on Voluntary Foreign Aid, would determine the eligibility of PVOs for all A.I.D. resources, including grants and contracts as well as the traditional government subventions, such as PL 480 food, ocean freight reimbursement, and excess property. In addition, PVO officers attached to the A.I.D. Washington PVO Bureau, would be assigned to each major A.I.D. field Mission to carry out the following functions:

- (a) act as contact point for, and liaison with, the voluntary agency community;
- (b) keep abreast of the programs, interests, concerns and capabilities of voluntary agencies;

- (c) general program grants to intermediary institutions which would be empowered to make sub-grants for small, experimental projects;
- (d) an earmarked fund at the discretion of each PVO officer to stimulate and strengthen indigenous voluntary agency activity.

4) Legislative authority similar to that contained in Sec. 491 of the Foreign Assistance Act or some facsimile would help to liberate PVO activities, as it now does international disaster relief and rehabilitation assistance, from many of the statutory requirements which are inappropriate and burdensome.

(Follow-up action required for the implementation of these recommendations is contained in Appendix C.)

These recommendations cannot resolve some of the more difficult questions inherent to A.I.D.'s political make-up, bureaucratic pressures or the more basic question of the appropriateness of government support for the voluntary sector. However, the measures proposed in Option II can be implemented fairly swiftly if decisive action is taken pending examination of these larger issues and their impact on PVO relations with A.I.D.

#### A New PVO Institute

Option III: To set up a private entity or public foundation, on the model of the recently established Appropriate Technology Institute or the Inter-American Foundation. While the U.S. Government could be

represented on the Board of Directors of this new institution, it would function independently of State Department and A.I.D., in Washington and especially in the field. Similar to the Inter-American Foundation, this PVO institute would be established by Congress with multi-year appropriations and a minimum of bureaucratic infrastructure. It would be charged with innovative approaches to implementing the "new directions", including:

- the provision of grants for administrative support and experimental projects;
- the design of relevant training methodologies and programs;
- mechanisms for information coordination and exchange.
- development education programs in the U.S.;
- the formulation of standards of accountability;
- constituency building activities.

These three options are not meant to be mutually exclusive. In fact in ideal circumstances they could be viewed as a logical progression, and action should be pursued on all three fronts simultaneously. The options reflect in varying degrees the urgent need for coordinated policy planning, an integrated use of resources and administrative consolidation. They stress the importance of developing mechanisms, attitudes and approaches which are responsive to the PVOs' own style and systems rather than shaping PVOs in government's image. How A.I.D. fares with its PVO program may be a fairly accurate indicator of its commitment to the "new directions" concepts and its capability to implement growth with equity strategies. If A.I.D. cannot fully meet its responsibilities to its PVO constituency how can it be expected to meet its obligations to the world's poor majority?

CONDITIONS OF REGISTRATION

Each applicant shall submit evidence demonstrating that:

1. it is a legal entity organized under U.S. law, and maintaining its principal place of business in the United States;

2. it is nongovernmental;

3. as a nonprofit organization, it has tax exemption under the following provisions of the Internal Revenue Code: Section 501(c)(3); as a social welfare organization under Section 501(c)(4); Section 501(c)(5); or as a cooperative or credit union under Section 501(c)(6);

NOTE: The Registry of private and voluntary organizations is not intended to be applicable to the following categories of organizations within 501(c)3: universities, other primarily educational institutions, research and scientific organizations.

4. it is engaged in, or has the potential to be engaged in, voluntary charitable or development assistance operations abroad (other than religious) of a type consistent with its purposes and objectives as set forth in its articles of incorporation and included in the application and supporting documents;

5. it has financial resources and demonstrated management capability of sufficient substance to enable it to perform the services it proposes;

6. it is controlled by an active and responsible governing body whose members, principally United States citizens, serve without compensation for such services, and which body holds regular meetings, with effective policy and administrative control; and that paid officers or staff members will not constitute a majority in any decisions of the voting members of such a body;

7. under its own established priorities and programs, it obtains, expends and distributes its funds and resources in conformity with accepted ethical standards,

without unreasonable cost for promotion, publicity, fund raising and administration at home or abroad.

(Pending development of standards for charitable solicitations, including standards regarding fund raising and administrative costs, the applicable existing A.I.D./Interim Registration Operational Guidelines will remain applicable. The existing guidelines note, on page 3 (4B), that when the fund raising costs of a registered organization reach 20% of funds raised and in-kind contributions, the matter will be raised and appropriate remedial action sought as necessary in light of circumstances. The Guidelines also endorse the Standards for Charitable Solicitations of the Better Business Bureau.)

REGISTRATION DOCUMENTATION  
TO BE FURNISHED IN THIS PACKET

1. Articles of incorporation, bylaws, constitution or other relevant documents.
2. Copy of IRS statement of tax exemption under provisions of Section 501(c)(3), 501(c)(4), 501(c)(5), or 501(c)(6), of the Internal Revenue Code.
3. Latest financial statement prepared in accordance with generally accepted accounting principles established in the American Institute of Certified Public Accountants' (AICPA) Industry Audit Guide for Voluntary Health and Welfare Organizations, and audited by an independent CPA in accordance with generally accepted auditing standards established by the AICPA. (NOTE: The Committee wishes to review, on a case-by-case basis, any situations in which an organization believes exceptions in the AICPA Guidelines appear relevant in light of circumstances confronting the agency.)
4. Current annual budget detailing anticipated amounts and sources of income and showing administrative costs and identifying overseas program costs. (This budget would be for the year subsequent to that covered by the audit.)
5. Latest annual report, or document of similar import.
6. Names, addresses, citizenship of members of Boards of Directors; average number of times Board meets in a year; a list of the top five principal officers determined by salary level, and their pay and allowances. Do not include members of Boards of Directors and Trustees unless they are among the five top paid principal officers. Also such documents as the applicant may wish to submit which demonstrate that the Board is an active and governing body.

NOTE: Given the differences between organizations, please provide such documentation as you deem necessary to describe the types and amounts of allowances provided to principal officers.

7. Copy of IRS Form 990 or 990-PF "Return of Organization Exempt from Income Tax," or a substitute authorized by the Internal Revenue Service. (If your organization is not required to file a 990,

please provide background information as to the reason(s) why this form is not required.)

DOCUMENTATION REQUIRED ANNUALLY

To maintain the conditions of Registration, registrants are required to supply the following information materials annually 90 days after the close of the fiscal year of the registrant (unless otherwise noted).

1. Annual financial statements prepared in accordance with AICPA Guidelines and audited by an independent CPA in accordance with generally accepted auditing standards.
2. Annual report or document of similar import.
3. Current annual budget detailing anticipated amounts and sources of income and showing administrative costs and identifying overseas program costs. (This budget would be for the year subsequent to that covered by the audit.)
4. List of principal officers (but not members of boards of directors or trustees) by title, and their pay and allowances.
5. List of changes in Board memberships including addresses and citizenship.
6. Statement of Income and Expenditures - A.I.D. Schedule C-100.
7. Copy of IRS Form 990 or 990-PF "Return of Organization Exempt from Income Tax," or a substitute authorized by the Internal Revenue Service. (If your organization is not required to file a 990, please provide background as to the reason(s) why this form is not required.)

Follow-Up Action Required for the Implementation of the Recommendations  
Contained under Option II of this Paper

- 1) Legislative language for a new title and line item;
- 2) Reorganization plan and description of Bureau functions and relationships, including appropriate job descriptions for AID/W and for PVO field officers;
- 3) Determination of recommended funding levels for a consolidated PVO program in FY 78 and FY 79;
- 4) Detailed formulation of new grant instruments: criteria, approval procedures and grant agreement provisions;
- 5) Policy and procedures for A.I.D.'s relationship with indigenous voluntary agencies, in particular the administration of an earmarked fund for these agencies.

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