CURRENT STATUS OF A.I.D./PVO RELATIONSHIP

INTRODUCTION

Private and voluntary organizations (PVO's) today operate in a wide variety of functional areas all over the world. These organizations address problems that are very basic to the development of countries in the third and fourth world and problems that are consistent with the objectives of the Foreign Assistance Act: food production and nutrition; rural development and the generation of gainful resources; and education, development administration and human resource development. Most importantly, a number of these organizations have been engaged in their activities for many years and have established grass roots identification, sensitivity and support. Geographically, U.S. PVO representatives work in virtually every country of the world, including many where there is no U.S. bilateral foreign assistance program.

When registration of PVOs became a requirement in 1946, the United States Government began its initial programs for channelling foreign assistance through the private voluntary community. This assistance has taken several forms, including Public Law 480 food commodities and freight ("Food for Peace"), excess property, grants and contracts, and an ocean freight program for shipping PVO supplies. In addition, PVOs have provided disaster relief, humanitarian and development assistance from their own private sources since before 1946.

Since 1964, there has been a significant expansion in the dollar amounts of assistance from both the U.S. private and public sectors channelled through PVOs. Levels increased from approximately $422 million in 1964 to about $1,084 million in 1979. Three-fifths of this increase is attributable to the private sector. Of the $477 million U.S. Government contribution to foreign assistance through PVOs in 1978, two-thirds represented P.L. 480 Title II food commodities and related ocean freight costs, funded by the U.S. Department of Agriculture and administered by A.I.D. In addition, during the past five years, A.I.D.'s ocean freight program has provided $43 million for shipping PVO supplies valued at $300 million to benefit low-income people in remote areas of some 70 countries.
During the period of 1969 through 1979, A.I.D. provided approximately $880 million in grants and contracts to PVOs for development projects, population programs, research, and other activities. The relationship of the private voluntary community programs are of considerable importance to our official development assistance program and they are an important facet of our society's relationships with the developing world.

This report outlines the evolution of the A.I.D./PVO relationship. It discusses some lingering questions and problem areas, and it provides the IDCA perspective to an International Development Institute under IDCA to support PVOs.

BACKGROUND

Since the introduction of the New Directions legislation in 1973, the range and variety of relationships between A.I.D. and PVOs have increased considerably. The following examples are but a few of the initiatives that have come about since 1973:

1. Funds made available from A.I.D. to PVOs and cooperatives, excluding P.L. 480 support, have increased from $39.4 million in FY 1973 to $163.3 million in FY 1979. (A breakdown of such funding in FY 1980 is attached as Tab A.)

2. Development Program Grants (DPGs) were awarded to 39 organizations, strengthening their institutional capability to plan, implement, manage and evaluate effective overseas programs.

3. To build on the independent development capability of experienced PVOs, a matching grant program has been developed which enables a PVO to carry out a broad development program using its own as well as A.I.D. funds. To date, ten PVOs have been awarded such grants, and considerably more are projected for FY 1981.

4. Other new grant categories are grants to consortia of PVOs, and grants to provide a range of program and management support services to PVOs.
5. Country-specific Operational Program Grants (OPGs) have increased since the outset of the program in FY 1974 to approximately $55 million in FY 1979. Along with the matching grant program, the OPG program, with its focus on field programs, will continue to grow. (A summary description of A.I.D.'s grants to PVOs is attached as Tab B.)

6. A new A.I.D. Bureau for Private and Development Cooperation was established in late 1977, at least partially to provide an Agency-wide locus for PVO programs and concerns.

7. A.I.D.'s Advisory Committee on Voluntary Foreign Aid has been strengthened with ten additional distinguished private citizens as members. Its mandate as a forum and intermediary for A.I.D.'s relations with PVOs has been reinforced considerably.

8. The commitment of IDCA's and A.I.D.'s leadership to an improved A.I.D. relationship with PVOs is widely recognized; the quality of the resultant dialogue has been candid and constructive.

CURRENT STATUS AND PROBLEM AREAS

In reaching the conclusions and recommendations in this report, we have consulted on several occasions with private and voluntary organizations, with the Advisory Committee on Voluntary Foreign Aid, and with interested offices within A.I.D. and IDCA. It is worth noting that there is considerable consensus from these three groups, both on the problems in the A.I.D./PVO interrelationship and on the above-noted progress made in the past few years. In its report to the A.I.D. Administrator (Tab C), the Advisory Committee on Voluntary Foreign Aid cites three remaining problem areas:

1. Legislative restrictions on A.I.D. are passed on to PVOs in their relationships with A.I.D., sometimes in their view unnecessarily and inappropriately;

2. A.I.D.'s size and style are seen to be cumbersome and too bureaucratic in relationship to the PVOs; and;

3. A.I.D.'s very size and complexity make it difficult for A.I.D. to accommodate the wide diversity of PVO concerns, abilities, and needs.
The American Council of Voluntary Agencies for Foreign Service, a representative association of PVOs, recently discussed with A.I.D. a similar list of problem areas, with their additional recommendations that A.I.D. should consider funding PVO development education efforts in the U.S., and increase its funding for PVO development programs.

We have benefitted from the discussions and reports of these two organizations, and from numerous sessions with PVOs and A.I.D. officials. In this report, we will enlarge on each of these problem areas, discuss several additional ones, and present A.I.D.'s broad agenda for action for the coming months. It should be noted that A.I.D. is aware of the issues and is working urgently to resolve those issues which are fully solvable. We believe that the existing governmental mechanism for supporting PVO work overseas is the best alternative at this time.

PVOs as a "Third Avenue for Development". Some PVOs argue that A.I.D.'s very size, orientation, and overriding need to ensure accountability impede A.I.D. from working with PVOs as a separate but equal development resource. When A.I.D. attempts to control or overwhelm the PVOs in an A.I.D.-funded program, it undermines the independent character of the PVOs and dilutes their greatest advantage - "to operate in areas and ways not open to official development assistance." Further, it is likely that PVOs are most effective when they are least encumbered by external requirements or pressures, i.e., when their independence is most respected and enhanced. Then, their ability to meet basic human needs, with little or no reference to inhibiting governmental channels, is most completely realized; and they are an effective "third avenue for development," distinct from but parallel to bilateral and multilateral assistance.

Needless to say, this is a difficult problem to resolve completely, because of diverse interrelationships (the same PVO will work as an A.I.D. contractor and as a matching grantee, to cite an extreme range) and because -- as the PVOs acknowledge -- A.I.D. funds carry with them certain automatic, non-negotiable obligations for the PVO. Consequently, it is likely that this tension between independence from A.I.D. and accountability to A.I.D. will never be completely resolved. It may be inevitable.

A.I.D.'s mutual objective with the PVOs becomes, therefore, to ensure that the tension is creative and that it leads to productive, satisfying results for low-income people in developing countries. Careful following of the agenda outlined in this report will certainly alleviate much of the tension, as will a sharper delineation of roles and requirements for each aspect of the many A.I.D./PVO relationships.

Finally, continuing the dialogue between A.I.D. and the PVOs on the many issues and opportunities that are involved between them is
an essential precondition for an appropriate partnership. The Advisory Committee on Voluntary Foreign Aid must continue to facilitate that dialogue, by providing a forum and by serving as a source of informed and independent judgment on key questions.

Prohibitory Provisions. In the Foreign Assistance Act, there are a number of specific country prohibitions on development assistance, and other prohibitions to be invoked under certain circumstances, e.g., the Hickenlooper Amendment. Specific sections have been amended several times, and there is some inconsistency in wording. There is a need for clarification of the circumstances under which those prohibitions should affect A.I.D.-funded PVO programs. While there are valid reasons for restricting bilateral, government-to-government assistance in some situations, we feel strongly that there are many situations in which the people-to-people programs of PVOs should not be curtailed. The legislative mandate and discussion should make sharper distinctions between the types of assistance affected (e.g., development or humanitarian) and the relationship with the respective LDC governments (e.g., government-to-government or people-to-people). A.I.D. is communicating separately with the Congress on this question, one that is of considerable importance.

Development Education. There is some sentiment within the PVO community that A.I.D. should consider supporting or otherwise collaborating with the PVOs' efforts to better inform and educate the American public about the urgent dimensions of the needs of the third world, interdependence, and related global education issues. While A.I.D. must avoid supporting publicity for its own program, the encouragement of a lobby for A.I.D. programs, or the support for PVOs' fund-raising efforts, we nonetheless do feel it important that the public be better informed of the important relationship which we have with LDC's and the thrust of Congressional objectives in development assistance. Therefore, within the constraints of the law, IDCA and A.I.D. are currently exploring with the PVOs means by which we might better collaborate in areas noted by the recent President's Commission on World Hunger as important to the long-term American appreciation of U. S. relationships in the third world.

The Needs of Small or New PVOs. There are a significant number of organizations that might qualify to seek A.I.D. support, but are constrained by A.I.D.'s limited resources. This support could be provided to expand their currently modest overseas operations or to commence programs overseas modeled on their domestic experience relevant to development problems and needs. Since A.I.D.'s earlier development grant program has been greatly curtailed, there have no longer been grants going to such organizations for the past three years. A.I.D. has, therefore, not been encouraging organizations to seek institution-building grants. We do recognize, however, the powerful motivation and apparent potential of some prospective PVOs to work overseas, and, as a result, A.I.D. is reassessing its earlier position. We feel that A.I.D. may have too exclusively emphasized the overseas programs of existing A.I.D.-related PVOs.
A.I.D. is currently preparing a modest but diverse program for FY 1981. This program would provide support for the program development capabilities of organizations of the categories listed above. We think it is worth noting that the Advisory Committee on Voluntary Foreign Aid devoted most of its November 27-28, 1979, meeting to this subject. The Committee was particularly concerned with the needs of minority-based organizations. The recommendations will provide an important and critical base for A.I.D.'s development of a program that is responsive to the support of the needs of PVOs that are new, small, and minority-based.

Indigenous PVOs. During the past several years, A.I.D. has established relationships with a number of non-governmental development organizations in the third world. Through these relationships, A.I.D. has provided technical and management assistance, and in some cases direct grants. We now feel it important to review the policy with respect to this important and sensitive dimension of the private voluntary community. A.I.D. has commissioned an independent study to explore the facets of this relationship. At the time of preparation of this report, all of the conclusions of the study have not yet been considered by A.I.D. We expect that a policy statement will be forthcoming from A.I.D. early in 1980. This would be a statement that considers carefully U.S. and indigenous PVO views as well as A.I.D. concerns. Among other things, the statement will address such matters as A.I.D.'s direct grant support to indigenous PVOs, the need of such PVOs for management assistance, and additional questions related to the further implementation of this relationship.

Registration. The 1980 authorizing legislation transferred responsibility for registering PVOs from the Advisory Committee on Voluntary Foreign Aid to A.I.D. This change provided an opportunity to review thoroughly the various conditions and requirements of the registration process. In this review, A.I.D. has carefully delineated staff roles and responsibilities to confirm that its overall relationship with PVOs, which begins with registration, ensures appropriate standards for accountability. The resultant A.I.D. paper will be available in early 1980. It will recommend some changes in the current practice.

Ocean Freight. The PVOs who participate in A.I.D.'s program of reimbursing PVOs for ocean freight shipment costs, in support of their development and humanitarian programs, are dissatisfied with the level of funding A.I.D. makes available to this program. To resolve this near-perennial problem, caused in part by inflationary costs, inadequate evaluation
of the program's effect and by its special legislative justification ("humanitarian", as well as "developmental"), A.I.D. has commissioned a study of the total program, with the full participation of the PVOs; its conclusions will be available in March 1980. We are hopeful that the study, which will treat both tangible and intangible benefits of the program, will remove the persistent doubts about the effects of the program on low-income people overseas, as well as its value as a means by which private citizens through their donations contribute to development in the third world.

Cooperatives. There are a number of specific questions and issues surrounding A.I.D.'s relationship with the cooperative development organizations, questions of administrative oversight within A.I.D. and funding levels. A.I.D. is carrying out an extensive review of its policy relationship to cooperative development programs, and the various contracting and granting mechanisms used with cooperatives; and a separate report is being delivered to the Congress.

Funding Levels. We have noted above that the increase in A.I.D. funding to PVOs has been relatively dramatic between FY 1973 and FY 1979, from $39.4 million to $163.3 million in grants and contracts. We hope and expect that the increase will continue in FY 1980, FY 1981 and beyond. The projected increases would particularly affect funds available for matching grants to PVOs, those grants which also leverage private funds for development programs. However, it should be noted that there will still be unmet PVO demands for A.I.D. funds; and, due to the uncertainty of A.I.D.'s overall funding levels, it is difficult to project exact totals for PVO programs.

A.I.D. Regulations and Requirements. There is a significant number of A.I.D. regulations which many PVOs find onerous or unnecessary. Many also feel that such over-regulation in grant and contract agreements unwittingly undermines the PVOs greatest strength, their relative flexibility and independence from the ties that necessarily characterize official channels. While we don't propose here to list all of these restrictions, a few examples (as perceived by some PVOs) would be helpful:

1. The requirement that A.I.D.'s Auditor General and the GAO reserve the right to audit the books of a PVO's sub-grantee, when it is the PVO grantee which is accountable to A.I.D. for the funds.

2. The fact that PVOs using A.I.D. funds must accept many of the same administrative requirements that govern A.I.D.'s bilateral program, such as advance
travel notification, procurement practices, use of American carriers, currency conversion procedures, etc.

3. The requirement that a prospective PVO submit a full year's independent auditor's report to be eligible for registration.

4. The fact that A.I.D. may decide that some of its field evaluations of PVOs are to be conducted only by A.I.D. personnel, with little acceptance of PVO's self-evaluation and even occasionally of their participation.

These and a number of other A.I.D. practices and regulations, only some of which have clear legislative origins, are currently under careful review by A.I.D. Together with the Congress, we need to determine those provisions necessary for proper public accountability and those which may not be necessary. We also expect that the Advisory Committee on Voluntary Foreign Aid will be a resource in assisting us in these judgments, since it will be having discussions on these matters in an early 1980 meeting. Needless to say, we are hopeful that this review will facilitate both A.I.D.'s and the PVOs' understanding and acceptance of this aspect of our working relationship. We should also point out that the PVO community fully accepts the fact that there is a need for proper accountability for the use of public funds.

A.I.D.'s Diversity and Complexity. PVOs argue with some justification that A.I.D.'s treatment of PVOs occasionally varies among offices, bureaus, and overseas missions. Historically, decisions on matters of considerable importance to the PVO community have seemed to vary within A.I.D. Some examples of matters on which there have been some differences of thought include: (1) the allowance of indirect costs on grants; (2) the judgment of compatibility of the PVOs' program with the A.I.D. mandate; (3) the role of a mission director in the approval of a centrally-funded grant, and (4) the eligibility of an organization to register and receive A.I.D. support as a PVO. There are other items that could be listed. Obviously, this represents a communication problem, generic to an organization such as A.I.D., given its size and the variety of offices and operations. We recognize this communication problem.

There are a variety of corrective measures A.I.D. will be undertaking in the next year to assure that the many different voices of A.I.D. speak a common tongue with regard to the relationship with the private voluntary community
and the implementation of that relationship. Among the steps that will be taken, the following are critically important:

1. An A.I.D./PVO policy review is now in progress. In this review, ambiguous and troublesome areas in the relationship are being identified, isolated and, hopefully, resolved so that there will be no doubt among the PVOs nor within the Agency concerning the definitive A.I.D. policy regarding PVOs.

2. In addition, in keeping with the reality that the A.I.D./PVO relationship is an active one in all parts of the Agency, specific monitoring responsibility will be assigned. For example, as part of the previously-cited policy statement on registration, A.I.D.'s offices of Private and Voluntary Cooperation and Contract Management will ensure that all required A.I.D. grantees are registered prior to receiving an A.I.D. grant.

3. A.I.D.'s Office of Private and Voluntary Cooperation, with its central policy formation and registration role, will be further strengthened to serve as a central information resource for all of A.I.D.'s relationships with PVOs. This central resource center will actively inform relevant A.I.D. offices of programs, issues, policies and opportunities that involve PVOs. Within A.I.D. there is now inadequate knowledge of PVOs' programs and capabilities, despite recent improvements. Steps will be taken to ensure that all significant actions affecting PVOs will be disseminated through this strengthened resource prior to administrative decisions affecting PVOs.

4. The A.I.D. committee on A.I.D./PVO relationships, a group which has met irregularly and without specific administrative responsibilities, now has a firmer and more specific mandate and authority to treat Agency-wide PVO/A.I.D. questions and opportunities.

5. An annual review and discussion of A.I.D.'s total budget projections for work with PVOs will take place. This will enable the Agency to set overall targets, when appropriate, to facilitate coordination. For example, a central budget review may lead to an informed discussion as to whether a certain PVO proposal should best be handled by several country-specific Operational Program Grants (OPGs), a regional OPG administered through one of A.I.D.'s geographical bureaus, or a matching grant administered by the central PVC office. This discussion is now impeded by separate budget planning processes and by bureaucratic distinctions.
While these modest changes are largely administrative in nature, they will reduce the confusion and separate A.I.D. voices that PVOs now encounter.

INTERNATIONAL DEVELOPMENT INSTITUTE

While the above section on "Current Status and Problem Areas" concludes on a relatively optimistic note, we are also aware that some of the most generic problems will probably never disappear. Indeed, it is the differences between the two entities, A.I.D. and the PVOs, which have stimulated the discussion of a new structural relationship.

To facilitate the work of the PVOs overseas without unnecessary A.I.D. control or regulation, the Humphrey-Zablocki Foreign Assistance Bill of 1978 proposed an International Development Institute under the International Development Cooperation Agency to house the Peace Corps and the current governmental support for PVOs. Such a separation of the PVO program from the rest of A.I.D.'s bilateral program obviously has certain attractions. Most notably, some of the problems of relatively small organizations working with a large bureaucracy would be obviated; funding level decisions might be simpler; the independence of the PVO programs might be somewhat easier to protect within an Institute committed solely to PVOs. In other words, there is reason to believe that an IDI would help alleviate some of the problem areas outlined above. Indeed, for just those reasons, when the idea was first broached, A.I.D. itself was cautiously supportive of the idea.

Two years later, after careful examination of the issues involved, including considerable discussion with PVOs and within A.I.D., A.I.D. would no longer recommend such major structural change. Consistent with the very recent judgment of the Advisory Committee on Voluntary Foreign Aid (attached) IDCA is not now persuaded that the creation of a wholly new structure under IDCA is a prudent solution, for the following reasons:

1. Most of the problems noted above are either adequately solvable within the current structure, as described above, or they would not be significantly affected by the creation of a new United States Government-funded structure. As we noted earlier, government funding carries with it certain non-negotiable obligations which cannot be eliminated through structural changes.
2. Since many of the A.I.D.-supported programs of PVOs work in close harmony with A.I.D.'s program (e.g., Food for Peace, population programs, etc.) a separate Institute might impair much useful collaboration and communication, even in the field. Separate structures might make routine collaboration and program communication more difficult.

3. There is no apparent consensus now among the PVOs -- nor was there when the Humphrey-Zablocki idea was first introduced -- that an Institute is the most desirable solution to the problem and tension points noted earlier. Many of the most interested parties are not persuaded that the creation of an Institute is timely or necessary.

We are prepared to reconsider our position concerning an independent International Development Institute under IDCA; but, basically, we feel that we can solve the problems more completely, more efficiently and more effectively within A.I.D. In particular, its plans to centralize its information base, to complete a policy review, and to maintain an active discussion forum with the PVOs through the Advisory Committee on Voluntary Foreign Aid remove much of the attraction of a formula that would institutionalize a separation of the PVO program from A.I.D. In fact, we conclude that the creation of a separate institution at this time might well divert attention and resources from the key rationale for A.I.D. support of PVOs, namely effective field-oriented development assistance at the grass roots level.

CONCLUSION

Inevitably a report of this nature, particularly one that has benefitted from unusually frank and thorough discussion with the PVOs, seems to dwell on problems and potential solutions to those problems. The various relationships of A.I.D. with the PVOs defy generalization and simplification. Nonetheless, we are confident that A.I.D. is generally aware of the problems and by most accounts, is working constructively with the PVOs to seek to resolve them. Perhaps more important, A.I.D. is committed to respect the independent character of PVOs as much as reasonable public accountability permits.

Attachments:

Tab A - Projected FY 1980 Funding Breakdown
Tab B - Summary Description of A.I.D.'s Grants to PVOs
Tab C - Statement of the Advisory Committee on Voluntary Foreign Aid
### Assistance through PVOs - FY 80 Projected

**In $ Millions**

#### Development Assistance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants through PVC and cooperatives</td>
<td>$31.6</td>
</tr>
<tr>
<td>OPGs</td>
<td>38.4</td>
</tr>
<tr>
<td>Population Planning</td>
<td>47.9</td>
</tr>
<tr>
<td>Other*</td>
<td>51.0</td>
</tr>
<tr>
<td><strong>Total Development Assistance</strong></td>
<td><strong>168.9</strong></td>
</tr>
</tbody>
</table>

#### Other Grant Assistance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASHA (American Schools and Hospitals Abroad)</td>
<td>4.4</td>
</tr>
<tr>
<td>Security Supporting Assistance</td>
<td>7.7</td>
</tr>
<tr>
<td>Disaster Assistance</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>Total Other</strong></td>
<td><strong>19.5</strong></td>
</tr>
<tr>
<td><strong>TOTAL AID ASSISTANCE</strong></td>
<td>$188.4</td>
</tr>
</tbody>
</table>

#### AID-Administered Assistance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title II Commodities (USDA-funded)</td>
<td>250.6</td>
</tr>
<tr>
<td>Title II Ocean Freight (USDA-funded)</td>
<td>115.0</td>
</tr>
<tr>
<td>Excess Property</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>370.4</strong></td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>$558.8</strong></td>
</tr>
</tbody>
</table>

*Food-for-Peace Outreach Project, Sahel Development Fund, Assistance to Labor Institutes, Asia Foundation Grant, Contracts with PVOs, etc.*
MEMORANDUM

NOV 14 1979

TO: AIDTO CIRCULAR - LIST P

FROM: PDC/PVC, Thomas H. Fox

SUBJECT: Grants Available from AID for Private and Voluntary Organizations (PVOs)

In response to Mission requests for information on grant categories for which PVOs are eligible, we have prepared this following summary:

1. Matching Grants - A matching grant is awarded to a PVO for that organization to carry out a clearly-conceived, evaluable, field-oriented program that takes place in a number of countries; is consistent with our legislative mandate, and supports a clearly defined, delineated program. Such a program may be as broad as the overall scope of the PVO's work or as specific as community-based health services or small enterprise development. The matching grant will normally allow a PVO to expand its program to new places and to initiate new projects. Awarded only to those relatively few PVOs with well-established development programs and with demonstrated, private fund raising ability, this grant carries with it less control or AID oversight than in the case with other grants to PVOs (since the eligible PVOs are the most established and therefore need less monitoring). The multi-year grant is matching in the sense that AID will pay no more than 50% of the cost of the program. It is also the newest category of grant, with only ten awarded to date. The Office of Private and Voluntary Cooperation manages these matching grant relationships, although there is coordination with overseas Missions and the geographical bureaus. Current grantees (as of 10/1/79) include: YMCA, Lutheran World Relief, Institute for International Development, Technoserve, Medical Assistance Programs International, World Vision Relief Organization, Project Concern International, AITEC, Partnership for Productivity, and Save the Children Federation.
2. **Operational Program Grants (OPGs)** - This program of grants, initiated in 1974, enables PVOs to carry out specific projects (new or ongoing) in individual countries (and occasionally regions). An OPG is a two-or-three year program, typically, and, like the matching grant program, it supports programs which are initiated and developed by the PVO (rather than by AID), and fully compatible with AID's legislative mandate. Normally, 25% of the cost of the project must come from non-AID sources. Typically, the AID program decisions and the monitoring of the grant relationship are carried out in the field through delegation of authority to Mission Directors. Some countries, mostly in Asia, administer a number of OPG-like programs under a structure called co-financing. Largely for administrative convenience, co-financing programs are essentially groupings of OPGs. Like the matching grant program, this program of OPGs encompasses the entire range of program areas contained in our legislative priorities. It and the matching grant program represent the most field-oriented of our grant relationships with PVOs and certainly exemplify the long-range relationship with PVOs which AID is trying to encourage. Note, however, that OPG grant relationships are usually managed somewhat more closely by AID than are matching grant programs. PVOs normally approach USAID field missions directly for OPG support. (We are currently doing a management review of the OPG program to see where policy adjustment seems appropriate.)

3. **Development Program Grants (DPGs)** - This program, also initiated in 1974, provides grants to PVOs who need strengthening of their ability to be effective development agencies. Covering matters like evaluation capability or program development, 39 grants were made, for a total of $26 million, from 1974 until the present. Now unavailable for any new applicants, the DPGs were an indispensable step in AID's assistance to PVOs to become effective development agencies in their own right.
The only PVOs whose DPGs have not yet terminated, but will during FY 80, are: the Salvation Army, American Institute for Free Labor Development, Accion Cultural Popular (in Colombia), the International Human Assistance Programs, the Heifer Project International, IDEAS, International Educational Development, and the International Institute of Rural Reconstruction. Many of the earlier DPG recipients are now eligible for participation in the matching grant program.

4. **Institutional Development Grants** - To a very limited number of organizations which received DPGs, AID is making grants to complete the work started by the DPG where the performance under the DPG so justifies. In other words, although the PVO in question does not yet qualify (for either programmatic or financial reasons) for a matching grant, it is our judgment that the performance of the PVO under the DPG warrants further, though declining institutional support. We expect to make approximately twelve such grants from FY 78 through FY 81, and few if any thereafter. As in the case of the Development Program Grants, these institution-strengthening grants are being deliberately phased-out by AID, in favor of the more field-oriented matching grants and OPGs. Current grantees include: Town Affiliation Association of the u.s. (Sister Cities International), World Education, Inc., Agriculture Missions Foundation, International Eye Foundation, and Goodwill Industries of America.

5. **Institutional Support Grants** - There are a number of organizations, approximately twelve, which have been receiving ongoing support from AID for a considerable number of years, in some cases more than ten years. These organizations provide a unique development service overseas but, for one reason or another, are unable to raise enough money from the private sector to enable us to discontinue our broad support to the programs. Many of them, however, do have significant support from the private sector, though not enough to sustain their program at a level that we feel optimal.
Falling in this category would be the cooperative development organizations: (CLUSA, CUNA, Volunteer Development Corps, Agricultural Cooperative Development International, National Rural Electric Cooperative Association), Volunteers in Technical Assistance, International Voluntary Services, Meals for Millions, Overseas Education Fund, Opportunities Industrialization Centers International, and International Executive Service Corps.

There are also some Institutional Support Grants managed by Regional Bureaus; they currently include the labor institutes (AALC, AIFLD, AIFLI), NAPA, Africare, and the Asia Foundation.

6. Management Services Grants - A very small number of grants are awarded to PVOs which in turn provide management or program support services to other PVOs (clearinghouse, accounting assistance, evaluation, etc.). The PVO grantee has a particular competence that their colleague PVOs need. Our grant, therefore, enables the provision of that expertise at a very low cost basis to the other PVOs. This is and will remain a very limited category of grant. It now includes the Technical Assistance Information Clearing House (TAICH), the New TransCentury Foundation, and Planning Assistance, Inc., and CODEL (for training PVOs in environmental concern).

7. Consortium Grants - Also a limited category, AID makes a few grants to consortia of private and voluntary organizations. These grants enable a group of PVOs with similar interests to exchange information and program experiences and to collaborate in programs and thereby avoid duplication. Such grants also enable small amounts of grant monies to reach grass-roots projects (through the consortia or its members) that would ordinarily be impossible through the AID bilateral structure. Current grantees include: PACT, CODEL, Consortium for Community Self-Help, National Council for International Health, and Solidarios.

8. Other Grants - Particularly from the Development Support Bureau, but from some PPC offices as well, there are a number of grants to private and voluntary organizations to carry out particular technical programs in fields like family planning, health,
energy, and the like. Typically, these grants are considerably more tightly controlled and managed by AID than some of the other categories noted above. Like many of AID's grants to PVOs they tend to last for a three-year period; and they vary significantly in size. In addition, through the Office of Foreign Disaster Assistance, grants are provided to PVOs to carry out disaster relief and rehabilitation activities; and PVOs are among the grantees under the American Schools and Hospitals Abroad program.

9. Ocean Freight Reimbursement - This program, part of AID's subvention rather than grant program, reimburses PVOs for their costs in shipping equipment and commodities overseas in support of their relief and development program. Allocations are made based both on demand and on use. In FY 79 there were 33 PVO users of this program.

10. Excess U.S. Government Property - Through another subvention, excess U.S. Government property and equipment is made available to PVOs to support of their program.

11. Food for Peace - Under PL 480, Title II, PVOs are a principal means by which Food for Peace commodities are distributed and used for development and humanitarian purposes. While AID is responsible for administering Title II programs, the commodities and freight costs are financed from the USDA budget. In addition, AID provides Title II outreach grants to PVOs to help them meet their logistical support costs. This program seeks to target Title II programs to reach target groups in the poorest LDCs. Only a handful of PVOs participate in the Food for Peace program.

Two final general points need to be made: All PVOs receiving grants from AID must be registered with PDC/PVC, formerly with the Advisory Committee on Voluntary Foreign Aid; and, indirect costs are allowable in all program grants to PVOs.

Please contact this office or your Bureau's PVO Liaison Officer if you have any questions on this rundown.
Clearances:
DS/PO, MEgan (Phone)
ASIA/DP, M Snoddy (Draft) cc: PPC/RB, KPoe (Draft)
LAC/DP, PMaguire (Draft) AA/AFR, GButcher
NE/TECH, AGooch (Draft) AA/LAC, ECoy
AFR/HA, SSiegel (Draft) AA/NE, JWheeler
AFR/HA, DParker (Draft) AA/ASIA, JSullivan
AA/PDC, CHRaulerson
STATEMENT OF THE ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID 
AGENCY FOR INTERNATIONAL DEVELOPMENT

INTRODUCTION

The Advisory Committee on Voluntary Foreign Aid devoted its September 1979 meeting (1) to the question of the AID/Private and Voluntary Organization (PVO) relationship. More specifically, the Committee considered that question in light of the recent Congressional request to the President to give "fresh attention to revised structural arrangements not only to serve the needs of PVOs and cooperatives, but also to enhance further their potential as effective development instruments." (2) and, further, to consider "the establishment of a unit within the International Development Cooperation Agency (IDCA) to finance and provide support functions for the development-related activities of private voluntary organizations and cooperatives." (3) The Committee sought particularly to enhance its understanding of the AID/PVO relationship, the ways in which AID and PVOs perceive each other, and the problems that attend their partnership.

The purpose of this statement is to present the Committee's views, following the Tarrytown meeting, for use by the Administrator in the preparation of the President's response to the request from Congress.

THE CONGRESSIONAL REQUEST

The Advisory Committee has noted the House Committee's recognition of the important contribution made by PVOs to the larger U.S. development assistance program, and the Senate Committee's interest in giving prominence to the partnership role with AID which private voluntary organizations and cooperatives are to play in advancing the "New Directions" objectives of meeting the basic human needs of the poor majority through an equity-oriented development strategy. The Committee also appreciates the continuing Congressional concern that PVOs and cooperatives be enabled to expand their overseas development efforts using federal funds but without compromising their private and independent nature.

(1) The meeting, with representatives of private voluntary organizations was held in Tarrytown, New York, on September 17-18.


In addition, the Advisory Committee has considered with care the current Congressional concern that "present organization and requirements imposed by the Agency for International Development do not effectively utilize the important resources of the private and voluntary organizations and cooperatives," that "AID should better facilitate the work of PVOs"... as "the creative potential of such organizations remains underutilized," and that consideration be given to the establishment of a new unit within IDCA to provide support for the development-related activities of PVOs and cooperatives.

The Advisory Committee supports wholeheartedly Congressional encouragement of AID to "involve the PVOs and cooperatives in a process for finding organizational and other means for improving private and voluntary cooperation." It is that very process of dialogue between AID and the PVO community—in the interest of enhancing their mutually supportive relationship within a constructive development strategy—that is at the heart of the Advisory Committee's mission.

Indeed, the discussion at Tarrytown among PVOs, AID staff, and the Advisory Committee represented an unprecedented opportunity for the Committee to assess critically the current AID/PVO relationship and to give consideration to the Congressional statement of interest in creating a new structure for the purpose of enhancing that relationship.

THE AID/PVO RELATIONSHIP

In light of the references in the Congressional statements to certain problem areas in the AID/PVO relationship, and informed by the testimony of representatives of the PVO community and AID personnel at the Tarrytown meeting, the Advisory Committee believes that there is continuing need for greater clarity in understanding and communication between AID and the PVO community. The Committee also has determined that the AID/PVO relationship is constrained by specific problems of a three-fold nature: restrictive legislative policy, cumbersome bureaucratic procedures within AID, and diversity within the PVO community itself.

- Legislative Policy

Committee members noted a recognition by PVO representatives and AID alike that some problems in their relationships arise from restrictive legislative policy. The Committee is concerned by an apparent contradiction between the Congressional statements noted above and some of the actions that Congress has taken with respect to the appropriations affecting the mobilization and flow of resources for foreign aid. While recognizing the appropriateness and need for proper accountability, PVOs perceive that Congressional requirements for oversight and monitoring, including audits, are increasing unduly. Further, the requirement that
Congress receive prior notice of AID grants, including those to PVOs, adds to the complexities in the relationships between AID and PVOs. Another example is the restriction on the use of funds in some countries which, for geopolitical reasons unrelated to the humanitarian and development objectives of PVOs, have been designated "off limits" for government-supported PVO assistance.

Although AID rules and regulations do represent points of tension in the current AID/PVO relationship, the language of statutes that govern AID are the basis for and cause of many of the problems. In particular, it seems unwarranted to apply with equal force to AID-supported PVO programs, restrictions that pertain to AID's bilateral programs. Grants made to PVOs which benefit people at the grass-roots level ought to be treated differently from those in support of official, bilateral, direct government-to-government programs.

Regardless of administrative or structural questions pertaining to AID, there is a clear need for greater freedom of action for AID in relation to the PVOs. In these respects, then, Congress has contributed to the limits governing AID/PVO relationships.

- AID Procedures

Above and beyond these policy problems, however, there are administrative problems, both structural and functional, that grow out of cumbersome bureaucratic procedures within AID, and that limit the Agency's capacity to utilize effectively the important resources of the PVOs in the development process.

While recognizing the overall responsibility of AID in the use of all of its resources, the Committee noted that particular structural problems with respect to PVOs derive from the absence in AID of a single operational focal point for its partnership with PVOs, and ambiguity concerning relationships between and among AID, PVOs, and organizations overseas that are affiliates of U.S. PVOs and that receive AID funding through them.

Functional problems related to the need for AID planning, control, monitoring, and discipline versus the need to preserve PVO independence and responsiveness to local initiatives, the multiplicity and complexity of procedures that must be completed by PVOs (and the consequent delays encountered by them) in their efforts to obtain AID support, and the high costs that often are incurred by PVOs in the process of seeking, obtaining, and managing AID funds.

In sum, many of the administrative policies and procedures established by AID in connection with its support for PVOs are not appropriate to the kinds of organizations that PVOs are.
While basic differences in the organizational structures and operating philosophies that characterize AID and the PVOs contribute to these administrative problems, they seem to be complicated further by problems of attitude and perception—on both sides of the relationship—which tend to exacerbate the points of tension in the partnership and serve to divert both AID officials and PVO staff from the mutually supportive relationship they are seeking.

= Diversity among PVOs

A third characteristic that contributes to the complexity of the AID/PVO relationship is the diversity within the PVO community itself. Differences among PVOs flow from their backgrounds and organizational charters. They differ substantially with respect to their size, operational experience, constituencies at home, target groups abroad, sectoral preferences, social emphases, and management styles. The very nature of these differences lead to differentiated needs and require differentiated policies and procedures in AID for dealing with them.

The Advisory Committee shares wholeheartedly the view that there is great strength in the diversity among the PVOs and in their conduct of development activities within a framework of disparate organizational goals and systems. The challenge, then, is not to seek a more standardized approach to the PVO community, but rather to develop sensitive means by which to encourage and support their diversity.

While noting these areas of continuing concern in the AID/PVO relationship, and eager to address them as soon and fully as possible in the immediate future, the Advisory Committee also acknowledges a number of areas in which the relationship has been enhanced in recent years, and the reasons why prospects for continued progress appear bright.

Members of the Advisory Committee were gratified to note that PVO representatives and AID staff alike acknowledged the incremental improvements that have been achieved in recent years as a result of the New Directions legislation and the steady rise in levels of funding for PVO activities overseas. New approaches to support for PVOs, such as the development program grants, the matching grant program, and serious efforts to reduce delays in the approval process for support for PVO activities, also represent significant steps forward toward a more productive partnership.

The recent appointment of a new AID administrator and staff committed to a continuing improvement in the relationship between AID and PVOs, the creation and mandate of IDCA, an enlarged and strengthened Advisory Committee, and the evident willingness of all parties concerned
to respond constructively to the Congressional desire for an improved relationship mean that the time and the climate both are excellent for continued pursuit of a resolution to the problems that remain. Central to this process, of course, will be continuous review and analysis of the impediments and restrictions that affect the AID/PVO partnership. The Advisory Committee is committed to contribute to that process in every way possible.

ESTABLISHMENT OF A NEW UNIT WITHIN IDCA

So that the Committee might offer informed counsel to AID, it designated one half-day at the Tarrytown meeting for discussion of the question of whether or not a new structure should be created to support the development-related activities of PVOs.

As with the discussion of the AID/PVO relationship, a broad range of opinion was expressed concerning the advantages and disadvantages of creating a new organizational structure. In spite of the diversity of views presented, the importance of the issue, and of reaching an effective and viable partnership arrangement between the federal foreign aid establishment and the PVO community, was made clear.

More specifically, with reference to the International Development Institute (IDI) option, three points of view were expressed: those who supported it, those who opposed it, and those who wanted to consider it as an option for the long-term, but who suggested that more study of the issue would be advisable.

Those who favored immediate adoption of the IDI proposal believe that such unit within IDCA would offer a unique operational base of support for PVOs as a "third avenue" for development, complementary to the bilateral and multilateral aid programs, but not limited by the constraints that are perceived to be inherent in the AID structure. In addition, proponents of an IDI suggest that it would offer an institutional base focussing specifically on PVO needs and opportunities without distraction of other issues or program concerns, and that it would enable the PVO community to have a greater stake in improved U.S. government development policies and programs, and in broader awareness among the American public about human needs in developing countries.

Those who opposed the proposal stressed the inherent disadvantages of disaggregating the many component parts of our national development effort, noting the importance, rather, of drawing them together more effectively, in a way that would recognize their distinctiveness but also enable them to collaborate productively in their common mission. Concern also was expressed that a new institutional structure would not
necessarily assure any fewer restrictions or constraints on PVOs, nor would the requisite intellectual and financial resources to support PVOs be guaranteed by creation of a new institution. Others noted that IDCA’s mandate was complex and far-reaching, and that PVO interests might well become dwarfed by the other issues with which IDCA must grapple. Moreover, as an agency principally concerned with policy, IDCA is likely to be even further removed from the people-to-people, grass-roots interests of PVOs, and staying with AID, a program agency offering direct channels for PVOs to work with its missions at the field level, would better serve PVO interests and enable them to contribute more directly to the increased effectiveness of the AID program.

The third point of view, expressed by persons on both sides of the AID/PVO relationship, was that a more careful analysis of the needs of PVOs and the resources required to enhance their development work overseas was required before a decision could be taken as to the most appropriate functional arrangement for providing that support.

Members of the Advisory Committee listened with great care to these various points of view. It is clear that there is considerable support among the PVO community for the establishment of an entirely new structure to serve its needs. This support derives, in part, from a philosophical concern that the development mission of PVOs is sufficiently different from that of the Agency’s official bilateral and multilateral programs as to warrant a separate structure. But the desire to create a new unit within IDCA also grows out of a sense of frustration that, in spite of improvements in the AID/PVO relationship in recent years, and the apparent prospects for even greater improvements in the future, the structural and functional constraints inherent in the Agency are such that the relationship always will be problematic, and that a truly productive and mutually supportive partnership may prove unattainable.

RECOMMENDATION

First, the Advisory Committee recommends strongly that serious steps be taken within AID, in collaboration with the PVO community and with the assistance of the Advisory Committee, to resolve the administrative and policy issues that continue to constrain the effective utilization of the important resources of PVOs in our national development effort.

The Committee notes the current climate in AID, as characterized by the commitment of the new administrator to more effective support for PVO activities, and is hopeful that positive change can be brought about within the Agency. Many members believe that there is a fresh opportunity
now to resolve a number of the existing problems in the AID/PVO re-
relationship through the combined efforts of the PVOs themselves, key
AID personnel, and the Advisory Committee.

In making this recommendation, therefore, the Committee offers its
full support to the Administrator and to the PVOs in the complex pro-
cess of change that must occur, and is prepared to contribute as an
active intermediary and advocate of the mutual interests of both part-
ners in the relationship. Members of the Committee are optimistic that
the proposed collaborative effort will be fruitful.

The Committee also recognizes the seriousness of the issues raised.
It therefore believes that further analysis of the prevailing problems
with the existing structure, and a fresh look at the advantages of
establishing an International Development Institute within IDCA, should
be considered.

Should such a study indicate that the creation of an alternative
structure would be desirable, the Committee would encourage those
organizations within the PVO community that support the IDI concept to
take the initiative for broadening the base of support for the concept
among other PVOs. While unanimity should not be expected on this issue,
any more than on any other issue among a group of organizations as
diverse as PVOs, it is clear that greater support, from the bottom up,
will be required if an IDI is to develop as an institution that will
better serve the PVO community.

The Committee believes that there is a sense of urgency, among PVOs
and AID personnel alike, concerning the need to resolve the problems
that still disturb the AID/PVO relationship. It also feels a strong
sense of mission, on its part, to contribute to the process of problem
resolution. As a first step in that process, the Committee is pleased
to submit the attached Agenda for Action - 1980, which sets forth in
greater detail the problem areas referred to in this statement, and is
intended to serve as a framework for future action.
AGENDA FOR ACTION - 1980

INTRODUCTION

The September 17-18, 1979, meeting in Tarrytown offered the Advisory Committee an unprecedented opportunity to enhance its understanding of the AID/PVO relationship, the ways in which AID and PVOs perceive each other, and the problems that continue to disturb their partnership. A number of problems represent issues that are of concern to AID and PVOs alike. Moreover, the issues at stake are sufficiently important and complex that they will require further study and analysis before the Committee can offer specific recommendations for the future.

The Committee therefore supports fully Congressional encouragement of AID to involve the PVOs in a process for finding organizational and other means to strengthen their partnership. It also sees that process as central to its own mission, and is committed to contribute to it as an active intermediary and advocate of the mutual interests of both parties in the relationship.

Following on the recommendation in its statement to AID that "further analysis of the prevailing problems with the existing structure," and "a fresh look at the advantages of establishing an International Development Institute within IDCA," should be considered, the Committee has adopted the Agenda for Action - 1980, which is set forth below, as a framework to guide its work during the coming months. The Committee invites AID and the PVO community to join in a collaborative effort to work actively with the Committee toward a resolution to the problems that remain. For its part, the Committee intends to offer, whenever possible, useful ideas and recommendations for action that flow from its continuing study and analysis of the issues.
I. Problems of Perception and Communication

- How can both parties to the AID/PVO relationship come to a better understanding of each other's needs and expectations, and thereby accommodate more constructively the differences between them?

- What alternatives are available for clarifying policies and procedures and exchanging information between AID and PVOs?

II. Problems of Philosophical Differences

- While recognizing the inevitable and healthy differences between AID and PVOs concerning approaches to development, are there not ways in which the potential for complementarity between their respective programs can be realized and appreciated more fully?

- Is a different government posture with respect to PVOs called for so that public funds for humanitarian assistance could be segregated from those allocated according to geopolitical constraints?

III. Problems of Structure—Organization in AID

- Should support for PVO activities overseas be identified in an explicit line item in the annual foreign aid appropriation?

- Are there other ways to ensure core support for development activities of PVOs that are less constrained than current mechanisms for funding (e.g., the 36-month limit on Development Program grants)?

- How can the confusion and delays, resulting from the multiplicity of offices within AID with which PVOs must deal, be reduced?

- Should there be a Bureau in AID, or a new unit in IDCA, which bears sole responsibility for developing and sustaining the relationship between the federal government and the PVO community?

- What can be done to reduce the ambiguity concerning relationships between and among AID, PVOs, and organizations overseas that are affiliates of U.S. PVOs and that receive AID funding through them?
IV. Problems of Structure—Organization of PVOs

- Given the rich diversity within the PVO community, would categorization of the broad range of PVOs which differ widely in nature—so that administrative procedures appropriate to each category could be developed—assist AID in developing a better means of supporting them, taking into account the distinctiveness of each category?

- Should more consortia of PVOs be encouraged as a means of supporting new and small PVOs, and of reducing administrative work for all?

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

- How can relationships between U.S. PVOs and indigenous sub-grantees be improved, particularly with respect to the often sensitive issue of auditing?

- Can PVOs and AID work together, perhaps in collaboration with the Comptroller General and AID's Auditor General, to reduce current auditing requirements while still maintaining appropriate procedures to ensure proper accountability?

- Are there useful ways in which AID can work with PVOs in their efforts to develop and exchange information about evaluation procedures?

V. Functional Problems

- How can AID and PVOs work together to streamline procedures for approval and monitoring of grants to PVOs so that each side could modify them with respect to its own constraints and the high costs to PVOs could be reduced?

- Would an evaluation of the relative experience of various PVOs with respect to matching grants, DFGs, and OPGs offer ideas for improved mechanisms for funding?

- What are the relative advantages and disadvantages for PVOs of focusing government support in a single unit in Washington versus enabling PVOs to negotiate directly for funds with AID missions overseas?
How can the current delays in the grant approval process within AID be reduced so that PVOs can continue to offer flexible responses to local initiatives overseas?

Is there really a dilemma of PVO independence vs. accountability? If so, can it be resolved?

How can PVOs be encouraged more effectively to develop among themselves, and in concert with AID, principles and standards that could guide their activities, strengthen their capacity to perform effectively overseas, and thereby make it possible for AID to grant them greater independence in their planning, implementation, and evaluation of development programs?

VI. Development Education

How and by whom can greater public understanding of and political support for a national commitment to development be encouraged?

How can the job of educating AID, Congress, and the public about the importance of the partnership for development between the U.S. Government and the PVO community be performed more effectively?

How can the Advisory Committee encourage Congress to relax its restrictions on AID, PVOs, and the Committee which currently curtail their ability to engage in development education efforts?

VII. Congressional Policy and Attitudes

How can Congress be persuaded to adopt less restrictive language in its legislative policies, thereby allowing greater freedom of action to AID in its partnership with PVOs?

ROLE OF THE ADVISORY COMMITTEE

In view of its recently expanded membership, its increased visibility, and greater focus on its advisory function, the Advisory Committee on Voluntary Foreign Aid presently is in a unique position to fulfill its role as a vehicle for enhancing communication and mutual understanding between AID and the PVO community. The Committee senses a serious need to assess the tenor of the independent voluntary sector, and to act as an
informed observer and interpreter of the concerns which have led to the creation of voluntary agencies for development activities overseas.

The Committee also is in a position to offer counsel to AID, the International Development Cooperation Agency, and the Executive Branch generally on the policies that should govern programs involving voluntary organizations.

As representatives of all of the American people, Committee members also believe that it is their responsibility to foster public interest in the field of foreign assistance and the activities of PVOs, as well as to strengthen public support for and citizen participation in the enterprise of development.

The Committee recognizes that, in order to play a more vigorous role as a link between the private voluntary sector and the public process of policy and program formulation, it will need better operating procedures and additional resources. So that it can process as well as channel information between AID and PVOs—in the interests of making useful, informed judgments and offering counsel—the Committee will need to survey and analyze data about the AID/PVO relationship. Committee members also will need to develop a better means of working together, as well as a mechanism for learning more about and staying in closer touch with PVOs. The Committee intends to develop this capacity in part through the use of short-term consultants. The Committee also will seek to ensure a means of direct dialogue with the AID Administrator and the Director of IDCA.

With additional resources for an expanded staff coordination capability and short-term consultants, the Committee looks forward to discharging its responsibilities more effectively in the future.
Honorable Frank Church  
Chairman, Senate Foreign Relations Committee  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the President, I am pleased to transmit this report on A.I.D.'s relationship with private and voluntary organizations. We welcome this opportunity to review with the Congress the A.I.D. relationship with private and voluntary organizations (PVOs), including cooperative development organizations. Indeed, the Congress' request for a review coincides with our sense that some changes in the overall relationships are needed.

We share with the Congress a belief that PVOs make an important contribution to development efforts in the Third World, as well as to our official development assistance program. Their commitment to the "New Directions" philosophy of development assistance makes them valuable partners to A.I.D. itself, whether as contractors or grantees. A.I.D. is also appreciative -- as the House Foreign Affairs Committee has noted -- of the fact that PVOs have "flexibility to operate in areas and ways not open to official development assistance" with their programs only occasionally linked to official channels.

We recognize the important fact that PVOs are "an important means of mobilizing private American financial and human resources", as noted in a recent Senate Foreign Relations Committee report. They provide direct channels for private, people-to-people efforts, and they help to increase our nation's understanding of Third World development and global interdependence. It is in the context of a growing partnership that supports both PVOs' development activities and their "private and independent nature", that we examine the current A.I.D./PVO relationship.

Let me assure you that IDCA and A.I.D. are firmly committed to increased support for PVOs, both as intermediaries in conducting A.I.D.'s program, and as independent entities in their own right.

We look forward to further discussions with you on this critical relationship of the public and private sector.

Cordially,

Thomas Ehrlich

Enclosure: Report on the Current Status of A.I.D./PVO Relationship
Honorable Clement J. Zablocki
Chairman, House Foreign Affairs Committee
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of the President, I am pleased to transmit this report on A.I.D.'s relationship with private and voluntary organizations. We welcome this opportunity to review with the Congress the A.I.D. relationship with private and voluntary organizations (PVOs), including cooperative development organizations. Indeed, the Congress' request for a review coincides with our sense that some changes in the overall relationships are needed.

We share with the Congress a belief that PVOs make an important contribution to development efforts in the Third World, as well as to our official development assistance program. Their commitment to the "New Directions" philosophy of development assistance makes them valuable partners to A.I.D. itself, whether as contractors or grantees. A.I.D. is also appreciative -- as the House Foreign Affairs Committee has noted -- of the fact that PVOs have "flexibility to operate in areas and ways not open to official development assistance" with their programs only occasionally linked to official channels.

We recognize the important fact that PVOs are "an important means of mobilizing private American financial and human resources", as noted in a recent Senate Foreign Relations Committee report. They provide direct channels for private, people-to-people efforts, and they help to increase our nation's understanding of Third World development and global interdependence. It is in the context of a growing partnership that supports both PVOs' development activities and their "private and independent nature", that we examine the current A.I.D./PVO relationship.

Let me assure you that IDCA and A.I.D. are firmly committed to increased support for PVOs, both as intermediaries in conducting A.I.D.'s program, and as independent entities in their own right.

We look forward to further discussions with you on this critical relationship of the public and private sector.

Cordially,

Thomas Ehrlich

Enclosure: Report on the Current Status of A.I.D./PVO Relationship