
BY THE U.S. GENERAL ACCOUNTING OFFICE
**Report To The Administrator,
 Agency For International Development**

**Changes Needed To Forge An
 Effective Relationship Between AID
 And Voluntary Agencies**

Since 1973, the Congress has repeatedly urged the Agency for International Development (AID) to expand support for the voluntary sector's international development activities. Nearly a decade later, AID and the voluntary agencies have yet to forge an effective partnership. AID still has to define the purposes and scope of the partnership and voluntary agencies need to focus on improving program impact. Both AID and voluntary agencies need to reassess the direction of their partnership.

GAO believes that the voluntary sector's financial dependency on AID has been unhealthy. Their contributions to grant-funded programs should be increased and AID should give priority to private and voluntary agencies which match AID support.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

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The Honorable M. Peter McPherson
Administrator, Agency for International
Development

Dear Mr. McPherson:

This report discusses the Agency's relationship with private voluntary organizations and actions which can be taken to improve that relationship.

This report contains recommendations to you on pages 24, 36, and 46. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget, and to the cognizant congressional appropriation and authorization committees.

Sincerely,

A handwritten signature in cursive script that reads "Frank C. Conahan".

Frank C. Conahan
Director

D I G E S T

The 1973 foreign assistance legislation called for expanded cooperation between the Agency for International Development (AID) and Private and Voluntary Organizations (PVOs). PVOs are charitable organizations involved in overseas assistance and include, among the best known, Church World Service, Catholic Relief Services, and CARE.

Nearly a decade later, AID is still struggling with defining the purposes, extent, and structure of its relations with PVOs.

GAO found that

- the impact of PVO development efforts could be improved,
- the independence of PVOs is undermined by over-reliance on AID funding, and
- changes in program management would promote greater efficiency and harmony in AID's relations with PVOs.

The Congress has repeatedly expressed concern over AID implementation of congressional policy to expand cooperation with PVOs. In response to these concerns, GAO undertook a review of the role of PVOs in the development assistance program. GAO focused on analyzing: (1) What do PVOs do and how well do they do it? (2) How should relations between PVOs and AID be structured? (3) How much emphasis should be placed on PVOs?

WHAT DO PVOs DO AND
HOW WELL DO THEY DO IT?

PVO strategy emphasizes strengthening of local organizations, that is, church, private, and government institutions operating at the village or regional level. PVOs are distinctive in the level and scale on which they

operate--they undertake small projects at the local level while AID generally works through national or regional governments on considerably larger projects. PVOs and AID do, however, concentrate on the same development problems, such as increasing agricultural production or expanding health services. (See p. 10.)

Impact of PVO projects can be improved. GAO's analysis of 16 randomly selected projects in 5 countries found that 9 successfully accomplished objectives while 7 (44 percent) were relatively less successful. (See p. 13.)

Successful and less successful projects were differentiated by the presence of factors influencing implementation capability. Improved performance requires greater attention to implementation skills. (See p. 16.)

HOW SHOULD RELATIONS BETWEEN AID AND PVOs BE STRUCTURED?

AID's dual approach to funding PVO programs consists primarily of grants from the overseas missions responsible for administering the AID program in individual developing countries and from the Washington-based bureau responsible for coordinating relations with PVOs. (See p. 26.)

Mission grants emphasize small local projects complementing AID's government-to-government program. Washington-funded grants emphasize a more independent PVO role in which PVOs, acting through their own channels, identify and respond to needs of developing countries' poor.

Procedures for mission funding of PVO programs should be simplified, and criteria for awarding Washington-funded grants (matching grants) should be defined. Collaboration between PVOs and missions could be encouraged through increased consultations on country development strategies. Moreover, information on grant awards and performance on grants, needs to be disseminated to program managers. (See pp. 23, 28, and 30.)

The usefulness of the Advisory Committee on Voluntary Foreign Aid, a panel of private citizens appointed by AID which meets quarterly to

discuss AID and PVO concerns, is questionable. It is not the only or usually the preferred, forum for discussing mutual concerns. Nor does this function significantly build on the Committee's structure as a neutral third party able to arbitrate problems arising out of AID's expanded partnership with PVOs. In recent months, however, actions have been taken to improve the Committee's effectiveness. (See p. 34.)

HOW MUCH EMPHASIS SHOULD
BE PLACED ON PVOs?

The extent to which the development program should be conducted through PVOs is of considerable consequence for both AID and the PVOs. For AID, the issue should be resolved by addressing what PVOs contribute to development, how this relates to AID's overall objectives, and when these objectives are best met through U.S. PVOs rather than direct AID grants to developing-country organizations. These policy issues need to be addressed to clarify the implications of alternative funding levels for the development impact of the total AID program. GAO believes that higher funding levels imply that the AID program will be increasingly transformed into what PVOs do--small, locally based projects--or that PVOs will be transformed into implementation of AID bilateral projects. (See p. 39.)

For PVOs, the critical question is the degree to which dependency on AID financing undermines PVO autonomy and dependability. Financial dependency has led some PVOs to focus on what AID wants rather than independently identifying and responding to needs through their own networks. Moreover, PVO programming decisions must await AID deliberations and changes in AID priorities may affect project funding and, thus, dependability of PVOs to their beneficiaries. Greater PVO independence and autonomy should be encouraged so that PVOs have a larger stake in the program and thus, commitment to successful outcome. (See p. 42.)

RECOMMENDATIONS

GAO recommends that the Administrator, AID:

- Clarify the objectives behind support for PVOs and the role of U.S. and developing country PVOs in meeting these objectives.
- Give priority to PVO programs in which the PVO matches AID contributions.
- Assess, in cooperation with PVOs, the effectiveness of the Advisory Committee on Voluntary Foreign Aid, prior to fiscal year 1984.

Additional recommendations concerning management of the PVO program can be found on pp. 25, 36, and 37.

AGENCY COMMENTS AND OUR EVALUATION

Comments were received from AID, the Advisory Committee on Voluntary Foreign Aid, and 12 PVOs. AID and most PVOs agreed with most of the report's conclusions and recommendations. AID noted that many of the recommendations are consistent with a draft AID paper on PVO policy dated March 3, 1982.

AID, the Advisory Committee, and several PVOs objected to a proposed recommendation to abolish the Advisory Committee citing recent efforts to improve the Committee's effectiveness and the need to provide a forum for the views of smaller PVOs.

AID and several PVOs also objected to a proposed recommendation requiring PVOs to match AID contributions for all grants, stating that given limitations on the availability of private funds, such a requirement would be impractical at this time.

GAO believes that the draft AID policy paper is an important step. However, the draft policy paper, which focuses on operational issues, does not address the policy issues raised in the GAO recommendation.

In recognition of recent efforts to improve the Advisory Committee's effectiveness, the

revised recommendation calls for an assessment of these efforts. The recommendation on PVO matching contributions was modified to recognize the need for flexibility, given current limitations on private funds.

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ABBREVIATIONS

AID	Agency for International Development
AMREF	African Medical and Research Foundation
CDSS	country development strategy statement
CODEL	Coordination in Development
FVA	Bureau for Food for Peace and Voluntary Assistance
OPG	operational program grant
PACT	Private Agencies Collaborating Together
PVO	private and voluntary organizations
YMCA	Young Men's Christian Association

CHAPTER 1

INTRODUCTION

A tradition of overseas assistance has long been evident in the United States. From this tradition, a number of agencies were formed to respond to human suffering abroad. Referred to as private and voluntary organizations (PVOs) many of the best known-- Church World Service, Catholic Relief Services, CARE--began in the U.S. response to war-torn Europe of the 1940s. Cooperation between the private, voluntary sector and the U.S. Government also began following World War II. Excess Government property and supplies were donated to support relief efforts, and ocean freight reimbursement began financing shipping costs for donated commodities and supplies which PVOs amassed.

In 1954, Public Law 480 1/ authorized the food assistance program. Title II of the act provides that food will be donated to voluntary agencies for distribution overseas. The food aid program became the cornerstone of PVO relations with the U.S. Government through the Agency for International Development (AID).

WHAT IS A PVO?

PVOs are non-profit, tax exempt organizations which carry out or actively support development assistance programs abroad. PVOs are "voluntary" in that they receive voluntary contributions from the general public, and "private" in that a portion of their program costs are financed from private sources. The Foreign Assistance Act of 1961, as amended, requires that, by 1985, PVOs receive at least 20 percent of their support from non-Federal Government sources to be eligible for certain categories of assistance. Responsibility for defining a PVO rests with AID. Only those organizations which comply with the AID definition can be registered; only registered organizations can receive grants reserved for PVOs. Currently, 156 organizations are registered with AID.

PVOs are tremendously diverse, as the following examples indicate. This diversity generates different concerns, interests, and demands in their relationship with government. They may, for example, differ in their views on AID contact with affiliated developing-country organizations or in their willingness to act as intermediaries for AID-developed projects.

--Religious/Secular: For many organizations, development work is an extension of their missionary or evangelical work; others are secular. Catholic Relief Services is

1/ The Agricultural Trade Development and Assistance Act of 1954, Public Law 83-480 (7 U.S.C. 1691, et seq.)

an example of the former and Foster Parents Plan of the latter.

- Domestic/International Orientation: Some organizations are deeply rooted in American experience; others are primarily internationally oriented. Girl Scouts of the U.S.A. is an example of the former. Technoserve, a PVO which operates exclusively overseas, is an example of the latter.
- Overseas Affiliations: Some organizations operate through their own network; others work through independent organizations. The Young Men's Christian Association (YMCA), which assists affiliated YMCAs, is an example of the former. Africare, which assists a variety of private and public organizations, is an example of the latter.
- Program Orientation: Some organizations structure their programs around what assisted, indigenous organizations request, usually through community development; others have a specific need to which they respond. Save the Children, which assists community self-help programs, is an example of the former. International Eye Foundation, which focuses on the prevention and treatment of blindness, is an example of the latter.
- Kind of Assistance: Some organizations are primarily grant-making institutions; others provide technical assistance. Private Agencies Collaborating Together (PACT), which provides grants to member U.S. and developing country organizations, is an example of the former. Partnership for Productivity, which assists small businesses, is an example of the latter.

FOREIGN ASSISTANCE ACT OF 1973 MARKS REORIENTATION OF PVO/AID RELATIONS

Enactment of the Foreign Assistance Act of 1973 1/ opened the way for expanded AID and PVO cooperation in development assistance, in addition to traditional food and disaster relief assistance. This legislation reoriented U.S. development programs toward an emphasis on the poor majority in poor countries. Development aid was to focus on the critical problems confronting the poor: food production, health, and education. The legislation, which came to be known as the New Directions Mandate, also placed priority as a matter of policy on developing-country programs which * * * directly improve the lives of the poorest of their

1/Public Law 93-189, Dec. 17, 1973, 87 Stat. 714 (22 U.S.C. § 2151-1, et seq.)

people and their capacity to participate in the development of their countries."

The 1973 legislation specifically recognized the contribution which PVOs and other private institutions could make to implementation of the New Directions policy. It called for the assistance to be " * * * carried out to the maximum extent possible through the private sector, including those institutions which already have ties in the developing areas, such as * * * voluntary agencies."

The issue of U.S. Government support of PVOs has been addressed in virtually every AID authorization bill since the 1973 New Directions legislation or in committee reports accompanying the legislation. For example, the Senate report accompanying the International Development and Food Assistance Act of 1977 1/ reiterated support for increased funding of PVO programs but stated that " * * * PVOs have not achieved their full potential in complementing the U.S. bilateral aid programs. The utilization of their skills in developing nations has only begun to be tapped." The report expresses interest in how the program is structured within AID and concern over financial dependency of PVOs on AID.

In 1978, a new section 123 was added to the Foreign Assistance Act:

"The Congress finds that the participation of rural and urban poor people in their countries' development can be assisted and accelerated in an effective manner through an increase in activities planned and carried out by private and voluntary organizations and cooperatives.

* * * *

The Congress declares that it is in the interest of the United States that such organizations and cooperatives expand their overseas development efforts without compromising their private and independent nature."

In 1981, section 123 was amended. The Senate authorization bill earmarked 16 percent of development assistance funds for PVOs. The Senate report accompanying the bill expressed confidence in PVOs as growing partners with AID but noted continued tensions in AID/PVO relationships, attributable in part to AID's tendency to view PVOs " * * * purely and simply as extensions of AID itself, not as development agencies with their own distinctive traditions, relationships, and styles."

1/Public Law 95-88, Aug. 3, 1977, 91 Stat. 533.

The 1981 report of the House Committee on Foreign Affairs raised a different issue. It expressed concern over the number of PVOs which receive less than 20 percent of their support from the private sector.

The International Security and Development Cooperation Act of 1981, (Public Law 97-113, Dec. 29, 1981, 95 Stat. 1519), provided that not less than 12 percent of development and disaster assistance funds be made available for PVO activities and that the President seek to channel not less than 16 percent of these funds to PVOs. The conference report stated that the " * * * 16 percent is designed not as a ceiling, but as a target which should be exceeded if appropriate." The Act also provided that PVOs obtain at least 20 percent of their financial support from non-Federal Government sources by 1985 to be eligible for additional grants.

PVOs LINK AMERICAN PUBLIC TO OVERSEAS DEVELOPMENT

PVO links with domestic constituents allow PVOs to (1) mobilize American financial and human resources and (2) educate the American public on development needs overseas. Some PVOs, notably religious-based, represent large constituencies from whom they mobilize private resources. Catholic Relief Services received \$48 million in private donations in 1980. Some secular PVOs, such as CARE and Save the Children Federation, have built large constituencies through national media appeals.

Other PVOs lack broad-based constituencies but may mobilize corporate or foundation support in addition to, or in place of, individual contributions. Africare, for example, received about \$200,000 in 1980 (approximately one-third of its total private income) from foundation grants. Nearly all of Partnership for Productivity's private resources in 1980 were from private grants and contracts; private individual contributions amounted to less than 5 percent of private income.

In addition to cash, PVOs also mobilize human and in-kind resources. MAP International, among other goals, strives to improve community health services overseas, and private donations consist mostly of donated medical supplies and equipment (over \$11 million in 1980). The International Executive Service Corps recruits executives (mostly retired) to voluntarily advise locally owned firms overseas.

AID and PVO officials often note that public understanding of development and foreign assistance programs is necessary to build support for the foreign aid program. Because PVOs have close contact with the American public, they can play an important role in educating the public about development needs overseas. PVOs generally educate their constituencies through fund-raising efforts, newsletters, or annual reports; some also have specific

educational programs. One PVO has sponsored tours of developing countries for journalists and others and a series of regional conferences on development issues, as well.

In 1980, the Biden/Pell Amendment to the International Security and Development Cooperation Act (Public Law 96-533, § 316, Dec. 16, 1980, 94 Stat. 3131) directed AID to help facilitate public discussions intended to increase "public awareness of the political, economic, technical and social factors relating to hunger and poverty." AID is now establishing a program to implement the Biden/Pell Amendment. One aspect of the program will be to award grants to organizations, including PVOs, to undertake development education programs (unrelated to fundraising or lobbying.) AID has received about 40 proposals for such grants and expects to award grants to ten to twelve organizations and conduct other related activities during fiscal year 1982, totaling \$750,000.

AID SUPPORT TO PVOs

AID estimates that it will provide over \$216 million of support to PVOs in fiscal year 1982. This support will be made through a variety of grants, cooperative agreements and contracts. The AID/PVO development grant program consists of grants and cooperative agreements reserved for registered PVOs. 1/ Grants and cooperative agreements are used to transfer resources to an organization to accomplish a public purpose. Grants are used when AID involvement in the activity is expected to be minimal and cooperative agreements when substantial involvement is anticipated. (Grants and cooperative agreements are distinct from procurement contracts where the principle purpose of the relationship is to acquire property or services for the direct benefit of the Federal Government).

Grants are awarded to PVOs by several different AID offices. AID maintains a mission in most recipient countries to administer its economic assistance programs and PVOs can apply to these missions for operational program grants (OPG) and co-financing grants 1/ which fund specific development projects in the host country. Approval from one of the four Washington-based regional bureaus which support country missions (Africa, Asia, Latin America and the Caribbean, and the Near East) must be obtained if the grant exceeds \$1 million. Regional bureaus also award grants directly in some situations (for example, to support activities in countries without an AID mission.)

PVOs may also apply for grants to the Bureau for Food for Peace and Voluntary Assistance (FVA), the Washington-based

1/Grants are described in app. I, p. 48.

bureau charged with coordinating relations with PVOs. FVA awards grants, such as matching grants and consortium grants 1/ to finance overseas development projects. Matching grants help fund PVO development projects in several countries. Consortium grants are awarded to two PVO consortia (organizations of PVOs which help fund member PVO projects) to fund very small projects, which AID, for administrative reasons, would not want to fund directly.

FVA also awards grants, including support grants, institutional development grants and management support services grants, to improve PVO development capabilities and to help PVOs meet the costs of operating their international programs.

In addition to the above programs which are specifically directed toward registered PVOs, PVOs may also compete for other grants and contracts awarded by missions and AID/Washington bureaus. For example, voluntary agencies are extensively involved in population programs. About one-quarter of the AID support for family planning is channeled through five voluntary organizations (four of which are registered PVOs) specializing in population programs.

The AID/PVO development grant program increased from \$22.8 million in 1975 to an estimated \$112.2 million in 1982, as shown in the chart on page 7.

1/Grants are described in app. I, p. 48.

AID FUNDING FOR PVOs

<u>AID/PVO DEVELOPMENT GRANT PROGRAM</u>	<u>Fiscal years</u>			
	<u>1975</u>	<u>1980</u>	<u>1981</u>	<u>1982</u> estimate
	----- (millions U.S. \$) -----			
 <u>PVO Projects</u>				
OPGs and co-financing (note a)	\$ 6.2	\$ 48.8	\$ 46.6	\$ 64.0
Matching grants	0.0	5.6	9.9	13.2
Consortium grants	<u>0.9</u>	<u>4.4</u>	<u>4.3</u>	<u>5.0</u>
total	\$ <u>7.1</u>	\$ <u>58.8</u>	\$ <u>60.8</u>	\$ <u>82.2</u>
 <u>PVO Institutional Development</u>				
Development program grants	\$ 4.8	\$ 0.3	\$ 0.0	\$ 0.0
Institutional development grants	0.0	4.0	4.1	1.9
Intermediary support grants (note b)	10.9	28.1	26.2	26.5
Management support services grants	<u>0.0</u>	<u>3.1</u>	<u>2.5</u>	<u>1.6</u>
total	\$ <u>15.7</u>	\$ <u>35.5</u>	\$ <u>32.8</u>	\$ <u>30.0</u>
TOTAL	\$ <u>22.8</u>	\$ <u>94.3</u>	\$ <u>93.6</u>	\$ <u>112.2</u>
 <u>OTHER AID SUPPORT TO PVOs</u>				
Population grants	\$ 24.0	\$ 45.7	\$ 55.1	\$ 61.3
Contracts and other grants (bilateral projects)	28.6	51.7	48.1	12.1
Other (note c)	14.2	42.3	26.3	30.9

a/Includes grants to indigenous PVOs.

b/Includes institutional support grants and grants to cooperatives, credit unions and labor organizations.

c/Includes American Schools and Hospitals Abroad, Office of Foreign Disaster Assistance, ocean freight, refugee assistance, Food for Peace outreach and other development support grants and contracts.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this review were to determine if AID has been carrying out Congressional policy to make effective use of PVOs in the development program and to identify changes that would improve program effectiveness. To do this, we asked three questions: (1) What do PVOs do and how well do they do it? (2) How should relations between AID and PVOs be structured? (3) What are critical factors affecting how much emphasis should

be placed on PVOs? These questions have been raised repeatedly since 1973 in Congressional committee reports which have accompanied legislation authorizing the foreign assistance program. (See p. 2.)

To answer these questions, we examined major elements of the AID/PVO development grant program in particular, AID-funded PVO projects and the matching grant program. Our analysis of the matching grant program included a file review of 8 of the 14 matching grants which were funded between 1978, when the program began, and 1981, selected at random.

To assess the effectiveness of PVO programs, we selected a number of AID-funded projects. Our selection process included first, the selection of a representative group of developing countries in which such projects were underway. Selection criteria included: (1) geographic balance, (2) a range of economic conditions as reflected by per capita income and physical quality of life indices, (3) a range of AID mission funding procedures and policies towards PVOs, and (4) existence of at least two projects by different PVOs, funded in fiscal year 1978 or before. (We restricted our project sample to fiscal year 1978 or before so as to allow sufficient time for project implementation). Finally, we randomly selected 16 projects (exceeding \$25,000) in the five countries. The 16 projects represent, overall, 40 percent of the PVO projects in those five countries (in dollar terms); the five countries represent 11 percent of PVO overseas development projects funded by AID between fiscal years 1974, when the program began, and 1978.

To determine the success of the sampled projects, we sought to measure:

- (1) proportion of planned targets achieved; 1/
- (2) sustainability of project benefits;
- (3) growth in project benefits by replication of project approach or spread of project innovations; and
- (4) strengthening of an indigenous (developing country) institution.

Specifics of the first two criteria are found in project agreements. The latter two criteria are widely accepted by AID and PVO officials we met with as implied by overall program goals. We did not attempt to measure the long term impact of projects such as

1/Planned targets are referred to as project "outputs" in AID project design terminology.

changes in health status, etc. (It should be noted that the project sample was not designed to assess a particular PVO's performance--an assessment of an individual PVO's overall program should be based on a larger sample of that PVO's projects).

In addition to assessing the success of PVO projects, we also sought to identify those variables which either facilitate or hinder the success of projects. To do this, we developed a list of variables which influenced project progress. This procedure of formulating a checklist of independent variables is one widely used in program evaluation studies. To assemble the list, we identified, through a review of each project's history, what factors supported progress towards project objectives and what factors hampered progress. We then assessed, project-by-project, whether each of the factors was present and whether it had a positive, negative, or neutral effect on achieving project objectives. Those factors found to positively influence six or more projects were labeled positive factors; those which negatively influenced four or more projects were labeled negative factors.

This method was selected because of (1) the limits imposed by the sample size; (2) the appropriateness of case study analysis to review objectives; and (3) the absence of extensive quantitative data (such as income figures) consistent across projects and countries from which unambiguous statistical inferences could be drawn.

In order to assess the PVO role in the development program, AID management of these efforts, and factors influencing the emphasis on PVOs, we conducted structured interviews with AID and PVO officials and reviewed AID program records. Of the 86 PVOs involved in the AID development grant program, we contacted 30. These included those 12 PVOs associated with the randomly selected projects, 10 additional PVOs randomly selected to discuss aspects of the grant program, and 8 other PVOs active in the AID program. We also conducted structured telephone interviews with six of the nine members of the Advisory Committee on Voluntary Foreign Aid (as of August 1981) and four former members to obtain perceptions of the Committee's purposes and accomplishments.

Within AID, we interviewed officials of all regional and central bureaus and the five AID missions visited (Cameroon, Honduras, Indonesia, Peru, and Sudan). Officials included those directly charged with managing relations with PVOs as well as program managers. We also reviewed program and project documentation and files.

Work was performed at AID headquarters in Washington, D.C.; PVO headquarters in Washington, D.C. and New York; and U.S. AID missions and embassies in Cameroon, Honduras, Indonesia, Peru, and Sudan. Our work was done in accordance with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities and Functions.

CHAPTER 2

IMPLEMENTATION OF PVO STRATEGY NEEDS IMPROVEMENT

Interest in PVOs stems, in part, from their more direct contact with beneficiaries, their work with indigenous organizations which represent the poor, and their consequent ability to offer alternatives to traditional government channels. Actual program focus is consistent with expectations: PVOs work with the poor, often in remote locations, usually involving local groups in project management. Forty-four percent of the projects we reviewed, however, had serious difficulties in achieving stated objectives.

Improved project success requires greater attention to factors affecting PVO implementation capabilities. We found the relatively successful projects differed from less successful projects by (1) PVO experience in-country, (2) sector experience, (3) cooperative relationships between U.S. PVOs and indigenous groups, (4) access to technical skills, and (5) headquarters support.

PVOS FOCUS ON STRENGTHENING INDIGENOUS ORGANIZATIONS

In describing their strategy, PVO officials emphasize the importance of indigenous (developing country) local organizations in aiding the poor. Despite the diversity of PVOs, strengthening indigenous organizations is a goal which most PVOs share. The importance of this goal evolves from the emphasis most PVOs place on beneficiary participation, local organizations, and project processes.

Beneficiary participation in identifying needs and developing programs to meet these needs is stressed. Involving the poor in identifying needs is required to assure that needs are accurately assessed and given priority. Involvement in program development and implementation helps assure that programs are compatible with local environments and that the indigenous capacity to continue activities is built. Without such participation, projects may lack sufficient importance or exceed beneficiary skills, thus leaving them unwilling or unable to sustain efforts when the PVO withdraws.

The need for local institutions is also important in PVO development strategy. Development is premised on the existence of organizations through which the poor can articulate their needs and priorities to, among others, the central government. Such institutions are able to channel resources and services to the poor and can promote structural change by increasing the poor's influence over their environment.

An emphasis on process governs many PVO programs, where the strengthened organizations are as important as specific project results. Therefore, if institutional capacities are strengthened, new initiatives can be undertaken without outside support. This potential impact on long-term development is as highly valued as finite project results, such as roads or number of students trained.

Both PVO and AID officials commonly cite certain characteristics of PVOs and the work they do which distinguishes them from other donors.

- PVOs promote voluntarism, that is, people organizing to meet needs which government cannot or will not meet.
- PVOs undertake pilot projects which provide a basis for large follow-up projects and provide opportunities for experimentation.
- PVOs are willing to take risks and innovate.
- PVOs can start projects relatively quickly.
- PVOs mobilize human resources, such as cooperative officials or corporate executives.
- PVOs attract staff members who are highly motivated, sensitive to different cultures, willing to work for modest salaries, and willing to live under difficult conditions in remote locations.

PVO and AID approaches differ

PVO and AID development strategies are complementary, but distinct. PVOs work through local and private institutions; AID operates primarily through central governments. The emphasis on central government reflects the nature of the AID program as well as the importance attached to the government's role in development.

PVO development activities are generally distinguished from bilateral (government-to-government) projects by the level and scale on which they operate. For example, PVOs tend to work at the local (village to regional) level either directly with communities or through intermediary organizations which in turn deal directly with the poor. PVO projects are typically below \$500,000 and projects below \$100,000 are common. In contrast, AID tends to work with national or regional intermediaries, usually several levels removed from beneficiaries. Projects typically are \$1-\$15 million.

Bilateral projects, however, resemble PVO projects because both focus on the same development problems. For example,

increasing food production, expanding access to health services, and strengthening small enterprises concern AID and PVOs. But while PVOs approach these problems through small, local projects in conjunction with indigenous, often private, groups, AID operates on a much larger scale in cooperation with the national government on programs targeted to reach larger numbers of the poor.

Development of local organizations and encouragement of beneficiary involvement is nevertheless an element of the AID development strategy. AID policy emphasizes development approaches which encourage governments to assure people's participation through local organizations. Under its government programs, AID supports farmer cooperatives, rural credit cooperatives, health associations, and other such organizations.

PVO ACTIVITIES FOCUS ON POOR

PVO program focus--that is what PVOs actually do--coincides with several of the traits commonly associated with them. Our analysis of 16 randomly selected projects in Cameroon, Honduras, Indonesia, Peru, and Sudan showed that PVOs varied considerably in terms of their focus and program management. Nevertheless, a majority of our sample PVO projects exhibited traits consistent with the common perception of what PVOs do. The following narrative outlines characteristics of how our 16 project-sample PVOs operate.

PVOs serve the poor, using a direct approach. Project beneficiaries were usually from the poor majority, at times living beyond the reach of public services. Twelve of the projects directly delivered services to the poor or worked through intermediaries who themselves serve the poor. For example, a health project in northern Cameroon trains private health workers whose services are the only source of health care.

PVOs locate projects in remote areas. Eleven of the sixteen projects were found on sites ranging from rugged mountains to jungle. For example, one community development project in northeastern Cameroon is isolated for weeks at a time during the rainy season; another health project is based in southern Sudan, an area larger than Kenya with only 17 miles of paved road.

PVOs emphasize training, community development, and public works projects. Eight training and curriculum development activities involved, in most cases, either training beneficiaries directly or training those who deliver services to the poor. Four community development projects combined training with health, education, and income-generating activities. Three public works construction projects paid for potable water systems, housing, and a bridge. Another project, not fitting the above categories,

assisted a producer's cooperative expansion into several enterprises.

PVOs share management responsibility with local groups. For 12 projects, U.S. PVOs typically cooperated with indigenous private, voluntary organizations or local government agencies. For instance, on a potable water project in Peru, a U.S. PVO collaborated with a local government development agency which became the main implementor. During the project, the U.S. PVO maintained a field office which carefully monitored the project, provided certain logistical services, and gave overall guidance as problems arose.

Secular and religious PVOs have differing records on private-to-private links. Nine of the sixteen projects involved links between U.S. PVOs and private indigenous groups; secular PVOs had substantially fewer ties to private organizations than did religious-based PVOs. Although PVOs often contrast their private links with AID's government links, PVO links with public organizations are common. In five of the seven projects secular PVOs were involved in, they worked with local government organizations.

Private ties usually linked religious PVOs with religious-based indigenous groups. Most projects of religious-based PVOs involved relations with indigenous church groups. Thus, the private organizations which PVO projects strengthened tended to be church-based groups.

PVO PROJECT PERFORMANCE NEEDS IMPROVEMENT

Seven of the sixteen PVO projects we assessed experienced problems in achieving anticipated results, but nine projects were relatively successful in

- meeting planned project targets,
- sustaining project benefits,
- spreading and replicating project approach, and
- strengthening indigenous organizations. 1/

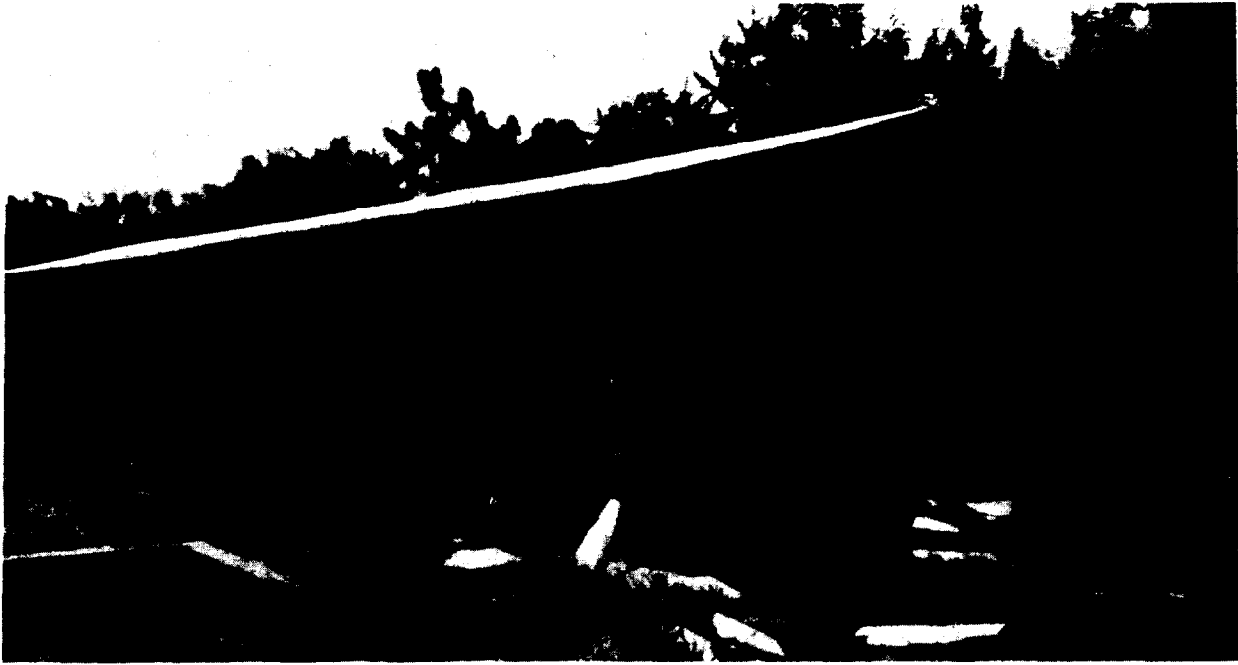
1/Relative project success was determined by scoring projects as follows: (1) proportion of targets (outputs) met--0-2 points; (2) sustaining benefits--0-1 point; (3) project replication--0-1 point; (4) strengthening an indigenous organization--0-1 point. (Sustainability was scored only if half the project outputs were achieved.) Projects scoring 3 or more points were considered relatively more successful. Individual projects are described in Appendix II.

A community development project in Cameroon is illustrative of a relatively successful project. The project was aimed at creating village-based community development organizations in north Cameroon which would be replicable models for the entire country. Specific targets included the organization of village development committees in nine villages and the initiation by these villages of water, agriculture, education and health care projects. Most objectives were realized. Village development committees were established and leaders trained by the PVO staff; villages undertook the construction of wells and schools, trees were planted, and health programs initiated. The project approach has spread to other villages as well; an official of the district in which the project is located reported that other villages (not involved in the project) have undertaken water projects with their own resources. In addition to building village organizations, the project also impacted on the Cameroonian Department of Community Development. Although AID involvement in the project ended in June 1981, the PVO director remained to train a Cameroonian project director and the PVO is assisting the government in replicating the project approach in other regions of Cameroon.

An AID evaluation has, however, challenged the sustainability of the project benefits. It questioned whether the village committees created under the project would be continued, or the project approach replicated, without outside assistance.

A community development project in southern Honduras was less successful. The project was aimed at helping 20,000 beneficiaries develop their organizational and financial capabilities, enabling them to continue and expand development efforts. Specific targets included expansion of a sorghum cooperative and initiation of agricultural diversification and industry development activities. Cooperative development was the most successful element. The sorghum cooperative expanded services to farmers and grew from about 300 members to 900 members, although still falling short of the 1,300 members targeted. Problems in meeting membership goals were in part attributable to actions of the PVO project director (who subsequently left the project). According to PVO staff, some farmers were incorrectly informed that advances to purchase supplies did not have to be repaid; when repayment was demanded, farmers withdrew from the cooperative.

To support agricultural diversification goals, projects were initiated in goat raising, rabbit-raising, beekeeping, fishponds, and crop diversification. None succeeded. And, while several industry development projects were anticipated, only one was started--mango puree production by about 22 women. (The example of the mango puree plant has, however, led to the organization of a candlemaking facility and bakery.) AID staff blamed the failure of many activities, and problems plaguing the cooperative and mango facility, on the lack of technically trained personnel.



VILLAGE SCHOOL CONSTRUCTED UNDER THE SUPERVISION OF SAVE THE CHILDREN FEDERATION STAFF AS PART OF A COMMUNITY DEVELOPMENT PROJECT IN CAMEROON. MATERIALS WERE PAID FOR BY THE PROJECT; LABOR WAS PROVIDED BY THE VILLAGERS. BRICKS USED IN CONSTRUCTION WERE MANUFACTURED BY BRICKMAKING OPERATIONS SET UP UNDER THE PROJECT. (PHOTO BY GAO STAFF.)



CENTER WHERE INSTRUCTION IS PROVIDED IN NATURAL FAMILY PLANNING UNDER CATHOLIC RELIEF SERVICES PROJECT IN INDONESIA. (PHOTO BY GAO STAFF.)

Overall, a majority of project outputs were achieved in most of the 16 projects we reviewed: over half the targeted outputs were met in 13 projects; in 6 of these projects, over three-fourths of the output was attained. Not surprisingly, construction presented the fewest problems; wells, housing, bridges, schools and training centers were built as expected. Problems were encountered in securing input from cooperating groups and in mobilizing the skilled personnel needed to effectively use the training centers. Income-generating components of projects also met with mixed success.

Difficulties in sustaining project output were evident in eight cases. Difficulties were, in part, attributable to the lack of financing for operating costs. In several cases, the lack of training also left some organizations without the necessary knowledge and skills to maintain project benefits.

Although the ability of PVOs to stage pilot projects or test innovative approaches is often cited as a strength, the growth of benefits beyond those directly attributable to the projects were limited to seven projects. In most cases, growth involved the spread of a project's features to neighboring areas or organizations rather than replication of entire projects.

Projects strengthened indigenous organizations in eleven cases. In other cases, either project failure or the absence of strong participation by counterparts explains the lack of growth in indigenous capability.

Implementation capability
is key to project success

Within every project some forces push the project forward; others are obstacles: project success is ultimately decided by the balance between these forces. Successful projects in our sample can be explained by certain positive factors; other projects in our sample exhibited the presence of critical negative factors. Key factors include

- PVO experience in-country,
- collaborative relationship between U.S. PVOs and indigenous counterpart organizations,
- sector experience,
- access to required technical skills, and
- headquarters backup. 1/

1/Methodology for identifying key factors is described on p. 9.

Experience in-country was a positive factor in seven projects. Prior PVO in-country experience tended to facilitate project implementation by, for example, enabling PVOs to correctly assess local institutions' capabilities and needs and may also have provided the PVO with government contacts or an understanding of how to obtain government clearances. In other instances, experience enhanced PVO knowledge of where to locate needed skills or materials. For example, in an Indonesia project in which a university received assistance to establish a rural development center as well as other programs, the PVO used its contacts to secure government and private financing for continuation of the program. In another Indonesian project in which the PVO assisted in the construction of a bridge, the PVO's experience allowed it to assess the local community's ability to implement the project.

A collaborative relationship between PVOs and indigenous counterpart organizations appeared as a positive factor in seven projects. Collaborative relationships were associated with regular communication, the sharing of decisionmaking by the organizations, and consistent understandings of each party's role. For example, in a water project, the implementing Peruvian agency alerted the PVO to potential problems such as transportation difficulties. In the case of a community development project in Cameroon, the close relationship which evolved between the PVO and responsible government agency led to the introduction of the project in other parts of the country. Collaboration between an agricultural cooperative in Cameroon and a U.S. PVO representative--a missionary who identified the need for enterprises--resulted in broad support and commitment on the part of the cooperative to the project.

Sector experience on the part of the PVOs or the indigenous implementing organizations contributed to success in ten projects. Prior experience in, for example, community development, agriculture, or health, influenced the ability of organizations to anticipate problems. In the case of an Indonesian housing project, a mechanism was established to identify and rapidly respond to routine problems. In another case of an institution-building project involving an Indonesian university, the PVO launched several subprojects to avoid a loss of momentum when some elements inevitably fell behind. In another case, a community development program in Peru, the PVO initially focused the communities on relatively simple tasks and then encouraged them to undertake increasingly more complex projects.

Sector inexperience hampered progress in five projects. For example, a family planning project in Indonesia suffered from problems in determining how to retain volunteer teachers recruited into the program and how to service widely scattered centers. Problems encountered in the Honduras community development project discussed on page 14, reflected the fact that the project was a test of the PVO's new development approach.



TWO MODEL HOMES CONSTRUCTED BY SEVENTH DAY ADVENTIST WORLD SERVICE FOR ITS HEALTH-CARE PROJECT IN INDONESIA. HOMES ARE NOW BEING USED AS DORMITORIES FOR CHURCH MEMBERS PARTICIPATING IN VOCATIONAL EDUCATION PROGRAM. (PHOTO BY GAO STAFF.)



HOUSING CONSTRUCTED BY CARE AND INDONESIAN GOVERNMENT THROUGH THE BALI LOW-COST HOUSING PROJECT. AID CONTRIBUTED \$210,220 TO THE PROJECT. (PHOTO BY GAO STAFF.)

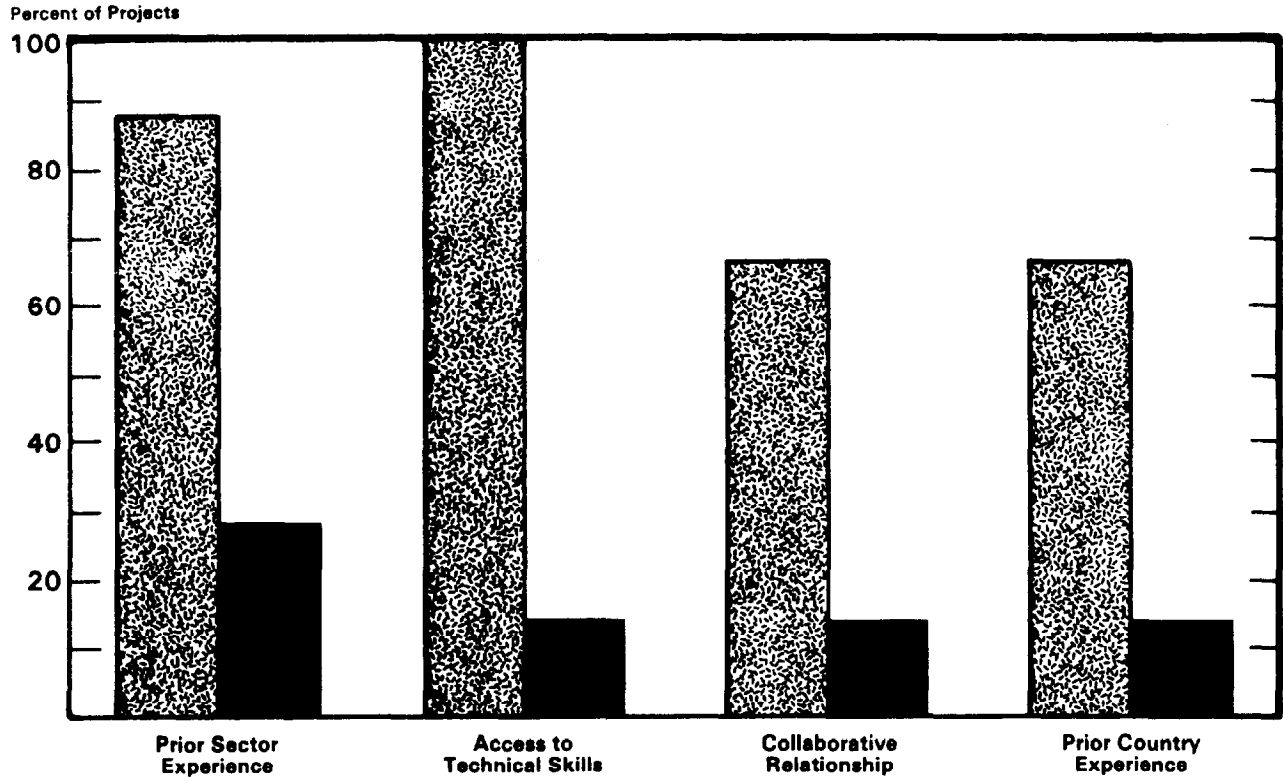
Access to technical skills positively influenced ten projects. The ability to mobilize technical resources in a timely fashion to realize project objectives was evident in several training and construction projects. A Cameroon health project was able to obtain personnel to staff training centers for nurses; other technical needs were met through short-term consultants and by sending personnel to other institutions for training. In the case of a training center in a remote part of Indonesia, the availability of a teaching staff was a key factor in determining where to place the regional center. The success of a training project in Honduras was due to the provision of technical expertise (by the AID mission) to identify training needs and develop an educational approach to meet those needs.

Lack of access to technical skills hampered progress in four projects. For example, personnel trained in health-related fields could not be found to staff a training center built under an Indonesian health-care project. In the Honduran community development project, the failure of several agricultural activities was attributed to the absence of an adequately trained agronomist.

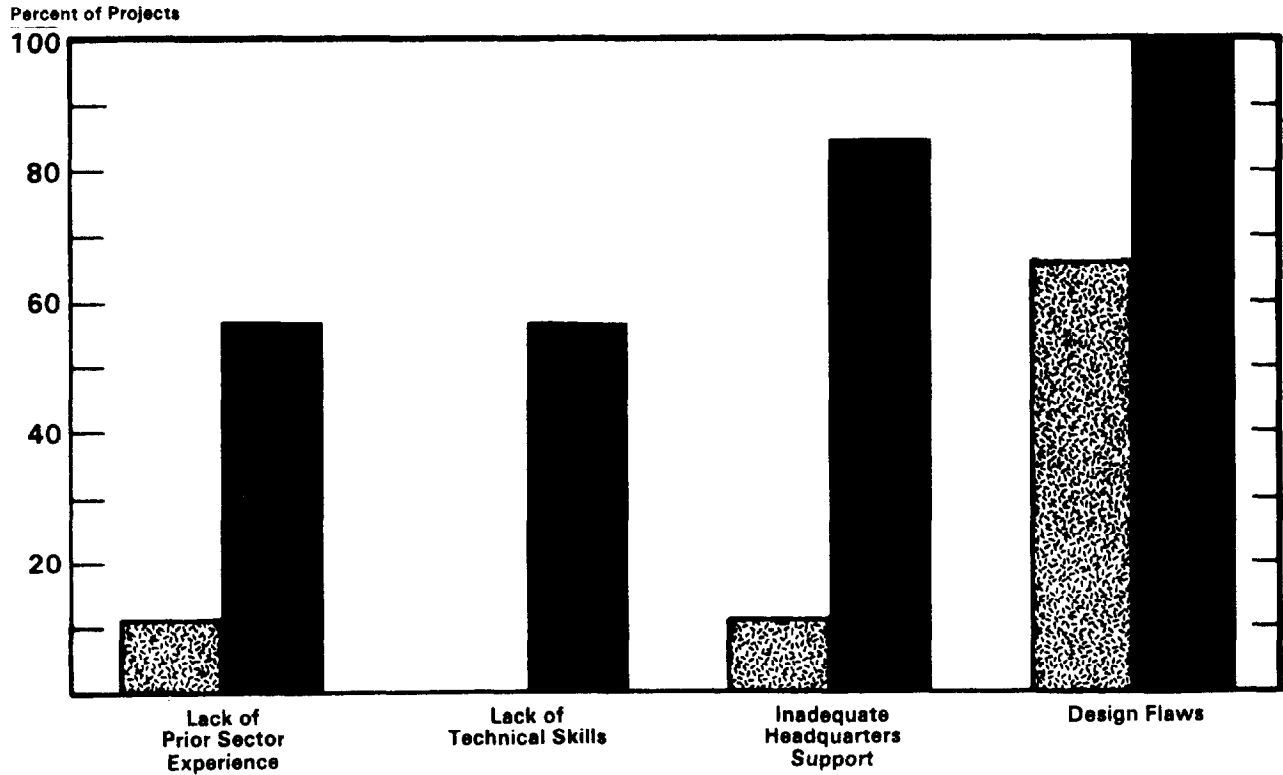
Inadequate headquarters support was also a factor, negatively influencing seven projects. Lack of headquarters support appeared in the form of long delays in staff recruitment, failure to supply needed expertise, or inadequate monitoring of performance problems. Inadequate support hampered an education project in Sudan where the PVO encountered problems in recruiting staff for the project and, according to AID staff, adequately preparing staff for the project. In another project, the field representative, a missionary, was moved from the project area leaving the Cameroonian cooperative without access to technical expertise. Although this gap was in all likelihood correctable, it was not identified because of a lack of monitoring and followup.


The presence or absence of these factors explains the difference between projects which are relatively more or less successful. As shown in Chart 1 on page 20, prior PVO experience in-country, access to technical skills, sector experience, collaborative relationship between U.S. and indigenous counterparts appeared as positive factors considerably more frequently in high success than in less successful projects. The combination of factors is also important. Although none of the less successful projects evidenced combinations of three or more of these factors, at least three of these factors appeared in 8 of 9 higher success projects. The ninth, a training center in Honduras, was marked by features which substituted for these factors--first, the main implementor was a local group and, thus, was familiar with local conditions. Second, the AID mission in Honduras was very involved in nonformal education and was active in both design and implementation. Thus, sound project design and a close relationship with


Positive Factors Influencing Project Success



Negative Factors Influencing Project Success



 Denotes more successful project (9 projects)

 Denotes less successful project (7 projects)

the AID mission--positive factors--in this case substituted for shortcomings in the U.S. PVO.

Similarly, factors having a negative influence appear more frequently in less successful projects. The absence of sector experience, lack of access to technical skills, and inadequate headquarters support, each negatively affected four of the relatively less successful projects and no more than one of the higher success projects.

Design weaknesses were found in higher success projects as well as low. Although all the relatively less successful projects contained flaws, six of the nine more successful projects also faced problems stemming from design. Even though design problems--such as overambitious targets, local adaptability, availability of input--appear obvious with hindsight, the high frequency of such problems suggests the uncertainty of the project environment and the difficulty of predicting all relevant influences.

Projects were not differentiated by their propensity toward design flaws, but rather, by their ability to overcome these flaws--that is, by implementation skills. Each success and failure factor influences implementation capability. Project factors, such as strong headquarters support, access to skills, and a good relationship with indigenous agencies can assist PVOs in surmounting the many obstacles which block project implementation. The Sudan health care project illustrates this process.

The African Medical and Research Foundation (AMREF) has operated in Africa since 1957 and in Sudan since 1972, focusing on health-care training and health education. AMREF is currently implementing the \$3.7 million Southern Sudan Primary Health Care Project under a 1978 OPG.

The AMREF project addresses constraints to the expansion of the health-care system including inadequate training programs and facilities for community health workers, the lack of an information collection and analysis system, and the lack of an effective drug supply and distribution system, by specifically,

- providing technical support to the Ministry of Health in manpower development, information systems, and supply systems;
- preparing and financing refresher and retraining courses for medical workers; and
- constructing training schools, dispensaries, and staff quarters.



A COMMUNITY HEALTH WORKER TRAINED UNDER THE AMREF PROJECT INSTRUCTS VILLAGERS IN SOUTHERN SUDAN ON THE IMPORTANCE OF CLEAN WATER AND ASSISTS THEM IN BUILDING A PROTECTED WELL. (PHOTO BY AMREF STAFF.)

AMREF encountered severe implementation problems during the first 2 years. War in Uganda, which disrupted the transportation of building supplies, combined with AMREF inexperience in managing large construction projects, caused delays in the construction schedule. Recruiting a project staff was also difficult initially because of the harsh conditions which characterize Southern Sudan. Moreover, the Ministry of Health delayed assigning counterparts to the program, which set back transfer of skills to the Ministry.

The resolution of these problems sheds light on how success factors affect implementation. AMREF coped with its staffing gaps through short-term consultants from its main office in Nairobi, Kenya. The Nairobi office had the needed expertise and because of its close backstopping of its Sudan project knew what skills could be used and when. Additionally, AMREF reorganized its project structure in the field, creating a separate position for project manager, which allowed more monitoring time for construction once the Ugandan Civil War abated. Lastly, the close AMREF/Ministry of Health relationship was partially responsible for the eventual assignment of Sudan counterparts to the project. AMREF built that close relationship on the importance of the project to Sudan, the heavy involvement of Sudan officials in project decisionmaking, and the daily contact of the AMREF staff with the Sudan Government.

AMREF, AID, and the Sudan Government are now preparing for a follow-up project, the third AMREF health project in Sudan. AID funding for the program is projected to be \$9.9 million. In contrast, the first AMREF project in the Sudan, begun in 1976, was funded in part by a U.S. religious consortium, Coordination in Development (CODEL), for only \$138,000 in AID and CODEL funds. This pilot project began implementation of the primary health-care system. Before this project, AMREF had been heavily involved in the design of the proposed health-care system for Southern Sudan. AMREF has built credibility and expertise in health care through 10 years of experience in Sudan projects. Thus, the \$9.9-million health-care project, which begins in 1982, will profit from this experience.

Missions need better information on PVO implementation skills

Despite the importance of implementation skills to project success, grants are sometimes awarded with little knowledge of PVO implementation capability. Missions assess PVOs, particularly smaller, lesser known PVOs on the basis of limited information. Information on PVO performance is not systematically collected within AID. Judgements on PVO capability may therefore be based on the quality of the project proposal and PVO staff sent to design and negotiate a proposal. Left unanswered are questions concerning headquarters support, staffing capability, and success with similar efforts in other countries. For example, two grants

were made to a PVO for sizable projects in the Sudan--although the PVO's previous experience was in operating a volunteer program; both projects encountered considerable implementation problems attributable to the lack of experience and ability to logistically support the projects. In another project in Indonesia, which likewise encountered considerable difficulties, a grant was awarded to a PVO with no prior experience in Indonesia to undertake a community development project although the PVO had not done a community development project previously.

The AID bureau responsible for coordinating relations with PVOs--FVA--has access to much of the information that missions need to appraise implementation capabilities. FVA manages several grants which directly involve PVOs' headquarters; it also manages the registration process and generally acts as a central information office for PVOs. The combination of roles makes FVA well-suited to inform missions about PVO experience. However, to adequately perform this role, mission assessments of PVO performance on mission-funded grants need to be systematically shared with FVA.

CONCLUSIONS AND RECOMMENDATION

PVOs play a distinct role in development. Their local work allows for relatively direct assistance to the poor, commonly in remote locations. Working with local institutions, they strengthen and expand organizations so the poor can participate in the development process. Thus, PVOs provide alternatives to government channels through which assistance can be transferred to the poor, and the poor can tap donor resources.

Nevertheless, the potential impact of PVOs is not being fully realized--44 percent of the projects did not meet most project objectives. We identified critical factors which influence whether or not projects succeed. Although design flaws were found in both relatively more and relatively less successful projects--country experience, sector experience, access to technical skills, relationships with indigenous organizations and headquarters support--differentiated successful from less-successful projects. These five factors all influence implementation capability.

The importance of implementation skills is hardly surprising. Nevertheless, reemphasizing the obvious appears in order. Much stress is placed on the importance of design and one cannot argue about the need for good design. Yet, the emphasis on design should not be at the expense of implementation.

Good design can assure that promising solutions are applied to critical problems, but it cannot predict or preclude the myriad of problems which must be overcome in implementation. A balanced emphasis on--and attainment of--design and implementation skills

is needed. To this end, AID should collect and disseminate information on PVO implementation capability.

Therefore, we recommend that the Administrator, AID,

--direct that FVA information and mission experience be used to evaluate PVO implementation skills during the project-approval process.

AGENCY COMMENTS AND OUR EVALUATION

AID agreed with the conclusions and recommendation in the chapter. AID stated that the observation that project implementation may warrant more attention "is an important one which deserves close attention." AID also stated that the recommendation that FVA assume the role of keeping missions informed about PVO implementation skills is consistent with a draft AID policy paper on PVO policy (dated March 3, 1982 and provided as an attachment to AID comments).

The Chairman of the Advisory Committee on Voluntary Foreign Aid commented that the Advisory Committee has also noted the need for more information on implementation skills.

Three PVOs--Save the Children, CARE, and AMREF--noted their agreement with the chapter's conclusions. AMREF questioned whether FVA was the appropriate office to inform decision-makers on PVO implementation skills; AMREF argued that the missions were in a better position to judge PVO capabilities.

We believe FVA, responsible for coordinating relations with the PVOs, is the logical office for collecting and analyzing PVO capabilities. To do this, mission assessments will need to be shared with FVA.

CHAPTER 3

IMPROVED AID MANAGEMENT WOULD LEAD

TO A MORE EFFECTIVE PVO PROGRAM

PVOs directly interact with AID through various AID organizations, including missions and regional bureaus; central bureaus, such as the Bureau for Food for Peace and Voluntary Assistance; and the Advisory Committee on Voluntary Foreign Aid. Despite the multilevel relationship that AID has had with PVOs for the last few years, questions remain about how the relationship should be structured.

From our review, we found that

- PVOs represent potential information resources which have not yet been fully tapped in preparing mission development strategies,
- AID could simplify its grant procedures by introducing cofinancing grants in missions with PVO programs,
- AID implementation of the matching grant program should be consistent with program criteria,
- AID should better disseminate information about FVA-funded PVO grant activities to AID missions, and
- recent changes may improve the usefulness of the Advisory Committee on Voluntary Foreign Aid.

We also examined the overall structure of AID's PVO program because there has been considerable debate among congressional committees and within AID as to how centralized or decentralized the program should be. We found that a dual approach, which includes both mission and FVA Bureau grant funding, meets both AID and PVO needs.

AID'S DUAL APPROACH TOWARD PVOs

AID funds PVO development programs primarily through mission grants and grants from the FVA Bureau. AID funding of PVOs is consistent with the way in which AID works with PVOs. Based on legislation urging support for PVOs, AID has defined two approaches toward working with PVOs--the independent and intermediary approaches. In the independent approach, AID supplements PVO programs so that AID is able to contribute to PVO efforts which are aimed at strengthening indigenous organizations and at finding innovative ways to help the poor. When the AID focus shifts to particular development programs, such as reforestation or small enterprise development, PVO experience can be used. In

the intermediary approach, AID takes advantage of PVO capabilities when PVO interests coincide with AID country priorities. In addition to technical capabilities, PVOs can work at local levels and can implement small projects. AID often finds these PVO capabilities helpful.

Most FVA grants emphasize the independent approach. These grants (primarily matching grants and consortia grants 1/) are more administratively efficient than mission grants because one FVA grant funds several country projects; mission grants fund only one project at a time. FVA grants also require fewer reports and evaluations. FVA grants are usually contributions toward total PVO programs, so they present an opportunity for AID to influence program direction and focus. Moreover, because program costs are shared with PVOs, the grants can supplement AID money.

FVA grants also are useful when PVOs are unable or unwilling to obtain mission grants, as in the following examples.

--To ease their administrative burden, some missions, such as the ones in Sudan and Cameroon, are emphasizing large projects which PVOs generally are not well-suited for. FVA grants, on the other hand, can fund very small projects (less than \$50,000), which few missions are willing to fund.

--PVOs may be unable to match their objectives with those of the mission or the mission may be interested in only funding indigenous PVOs even though a PVO program may be in the broad interest of AID.

--PVOs without large field staffs, may be unable to compete with larger PVOs for mission funds.

--Some PVOs are unwilling to work with AID missions because they believe too close an identification with the U.S. Government threatens their relations with indigenous groups.

Similarly, mission grants range in emphasis from an independent to an intermediary approach. Under an intermediary approach, mission grants (OPGs and cofinancing grants 1/) allow missions to use unique PVO capabilities, such as their ability to do local-level projects. Mission grants also encourage mission/PVO collaboration because of the close involvement of mission staff in such grants. Close proximity of missions to project sites allows for closer monitoring than is possible with FVA funded grants and thus, permits monitoring to be adapted to the needs of individual PVO projects.

1/For grant descriptions, see App. I, p. 48.

MISSION/PVO RELATIONSHIPS
CAN BE IMPROVED

AID can improve the way its missions manage their intermediary relationships with PVOs. First, missions should tap PVO knowledge of needs and programs because PVO local perspective can be valuable in identifying host country development needs and priorities. Second, missions should increase the use of co-financing grants to fund PVO projects because, under most circumstances, it is a more efficient funding method than OPGs. Co-financing is administratively simpler and better integrates PVO grants into a mission's program.

PVO input to mission strategy desirable

Each AID mission annually prepares a Country Development Strategy Statement (CDSS), which sets the mission development priorities and strategies for meeting the priorities. The CDSS examines the extent and causes of poverty, host government priorities, and AID objectives. PVO programs usually complement CDSS priorities.

PVOs represent a valuable source of input into CDSS development. PVO officials are often located outside the capital and have direct contact with AID target populations. These officials can provide alternative channels for identifying needs and assessing how development is taking place at local levels. PVO contributions can be valuable in informing the missions of the impact of projects and in identifying local contacts. PVO assessments of local conditions can offer alternative perspectives to those of high-level, host-government officials. A draft AID policy paper (currently being discussed by AID and PVOs) recognizes that the CDSS "will often profit from [the PVOs'] advice." Further, the paper notes that such a process will benefit PVOs by providing them with an understanding of the mission's program and with a sense of participation.

None of the missions visited systematically solicited information from PVOs and PVO officials believe their experience has not been fully tapped through informal consultations. Although opinion among AID officials was mixed, some said that PVO experience should be considered in preparing the CDSS and that mission officials did meet informally with PVO officials. AID officials raised two concerns, however. First, some PVOs are very narrowly focused on one specific need and may, therefore, lack a sufficiently broad perspective on needs and priorities to be helpful. Second, PVOs may view any formal consultation as a means of pursuing their own self-interest. Instead of viewing the process as a collaborative effort, PVOs may see it as an opportunity to press for more emphasis on their areas of interest and, thus, more money for their programs. Instead of giving the missions a more accurate view, AID would receive distorted assessments of local needs.

These concerns shape how AID can mobilize PVO input into the CDSS process, but we believe they should not preclude mission efforts to tap PVO experience as well as share information with PVOs. Many PVO officials who have a broad base of development experience in a country can be a source of information in identifying development needs and approaches. However, AID would need to be selective in discussing strategy with PVO officials because not all PVO staff members would have a sufficiently broad perspective. Success of such efforts would also depend on a PVO willingness to approach the process in the proper spirit--as partners in the development process--and not from narrow self-interest.

Mission funding procedures can be simplified

Although most missions use OPGs to fund PVO projects, the Asia Bureau has established a variation to the OPG--co-financing grants--for funding PVO projects. Co-financing grants and OPGs are similar in terms of overall purpose, but differ significantly in terms of administration. Whereas an OPG funds only one specific project, co-financing establishes a fund for PVO projects at the mission, which can then fund several individual PVO grant projects. All funding decisions are made by the mission, once the fund is approved by the regional bureau. Co-financing also eases problems associated with the budgeting process, while offering several additional advantages over OPGs.

The major benefit of co-financing over OPGs relates to the budget process for PVO projects. Missions which use only OPGs sometimes have difficulty finding funds for OPG projects because the normal budgeting process requires submission of project proposals about 18 months before the fiscal year begins, an inappropriate timeframe for the kind of small projects PVOs commonly undertake. For example, mission officials in Honduras stated that because little money could be reserved in their budget submission for unspecified PVO projects, the only way they could fund an OPG was if (1) the PVO was able to participate in the AID budget process by submitting requests 18 months in advance, (2) the mission received supplemental funding, or (3) the mission had money left at year end. Mission officials say they are reluctant to budget for nonspecified PVO projects because they fear that it will be interpreted as a low-priority program and cut from the final budget. One official commented that the mission would like a separate budgetary account for PVO projects--which is what co-financing would allow. At the same time, a separate project fund, rather than individual OPGs, also facilitates regional bureau oversight of mission emphasis on PVOs.

Co-financing also reduces the amount of paperwork--compared to OPGs--that missions must submit to AID/Washington. Co-financing requires that only one project paper, congressional notification, and other documentation be submitted to AID/Washington--usually every 3 years. Administrative reports must be

filed once for all PVO activities rather than for each individual activity.

Additionally, co-financing encourages the missions to integrate PVOs into development plans and country strategies. PVO initiatives which would contribute to mission objectives are more likely to be considered as part of mission planning. Making PVO activities an integral part of the mission program would also encourage a mutually beneficial exchange of information. For example, in Indonesia, where co-financing originated, PVO officials were consistently positive in their appraisal of the AID mission and their relations with the mission. The mission sees PVOs as being an integral part of its program, is committed to working with PVOs and is willing to make its expertise available to PVOs. This contrasts with the situation in the other four missions we visited, where PVO and AID officials were sometimes critical of each other and tensions were high.

A common argument against co-financing is that it is staff-intensive. Although PVO programs are staff-intensive relative to larger bilateral projects, co-financing programs, according to AID officials, should require no more staff than comparable OPG programs. Co-financing, however, does not eliminate the need for OPGs--OPGs may be more feasible than co-financing grants for certain types of projects. For example, a mission may want to use an OPG for a costly project instead of using a large portion of its co-financing fund. Therefore, because co-financing grants have several advantages over OPGs, we believe that AID missions should increase the use of co-financing as a method of funding PVO projects.

IMPLEMENTATION OF FVA BUREAU GRANTS CAN BE IMPROVED

Grants from the FVA Bureau promote the role of PVOs as independent development agents. AID management of the FVA grant program can be improved two ways. First, in implementing the matching-grant program, which was established to support the development activities of experienced PVOs, AID has not always adhered to program criteria--grants were awarded to PVOs without adequate performance records. Second, the dissemination of FVA-funded project information to the missions should be more complete.

Matching grants awarded to inexperienced recipients

The matching-grant program was established to use proven PVO expertise in carrying out projects in developing countries; expand the autonomy of PVOs in carrying out their own programs (in contrast to OPG programs, which are as much mission as they are PVO programs); promote overseas activities, rather than provide for

institutional development (which was the purpose of the development program grant); and expand private contributions for international development activities. The grant supports program expansion for those PVOs which "possess a proven record of accomplishment in the development assistance field and a demonstrated financial strength over a number of years." Grantees must also demonstrate a self-monitoring capability.

PVO reaction to the matching-grant program has generally been positive. PVO officials noted several advantages of a matching grant over an OPG. For example, a matching grant

- frees PVOs from having to compete against mission projects for mission funding;
- allows the indigenous staff of a PVO to work with a familiar organization (the PVO), rather than an unfamiliar organization (the AID mission);
- allows the PVOs to finance certain institutional functions, where needed, such as program management;
- allows PVOs to operate in more than one country; and
- offers a partnership between AID and PVOs.

One criticism, offered by an official of a large PVO, was that the \$1-million per year maximum award was not worth the effort of seeking a matching grant.

Matching grants were established by the AID Administrator in 1978 to expand programs of PVOs with demonstrated track records in development activities. Actual practice, however, has deviated from this intent. Of the eight grants we examined, two were awarded to PVOs which lacked demonstrated records in development.

Disagreements within AID over what constitutes a successful track record arose early in the matching-grant program's history and have yet to be resolved. FVA holds that for PVOs which have only recently undertaken development activities, relief experience may be considered in determining potential performance on a matching grant. Others, notably the Asia Bureau, have argued for a stricter interpretation that would limit matching grants to those with proven development programs. They have opposed the FVA use of matching grants to influence and strengthen PVO commitments to development.

Our analysis of program criteria more closely coincides with this later interpretation. As stated in the memorandum establishing the program, matching grants are intended for PVOs with "an established track record of performance..." Although the program is intended to support expansion of proven programs, and in many

cases has done so, matching grants have been awarded to at least two PVOs which lacked demonstrated development programs.

--FVA awarded MAP International a matching grant, despite noting in the approval memorandum that it was not possible to assess whether the MAP development approach would work because MAP's development experience, at that time, was in its "early stages." The PVO is having implementation problems, 2 years into its 3-year matching grant. For example, it is not active in all the countries in which it planned to be because it has been unable to raise sufficient private funding and, thus, AID funding has been reduced.

--The World Vision Relief Organization was awarded a matching grant which has allowed the PVO to continue the work started under its development program grant and to institute a new development plan. FVA officials, despite agreeing with Asia Bureau officials that the PVO lacked a record of successful development activities, awarded the grant to solidify the World Vision development commitment, thus, insuring that its sizable resources are effectively applied to development.

In these cases, AID determined that PVOs with a strong institutional background, but with limited development experience, could be considered to have successful track records; however, the intent of the program is to "utilize proven PVO experience" in overseas development. Program criteria requires that grantees have a "proven record of accomplishment in the development assistance field." None of the recipients discussed above had such a development track record when their grants were awarded.

In some cases, AID emphasized institutional development goals as much as matching-grant objectives of expanding proven programs. Although it may be a worthwhile goal, institutional development requires close AID monitoring which the matching-grant program is not intended to provide. We believe AID implementation of the matching-grant program can be improved by clearly defining the term "development track record" so that it is acceptable to all AID bureaus and by strictly adhering to program intent.

Information to missions
should be improved

Information flow to AID missions concerning FVA-funded activities in their countries should be improved. Missions have often complained about being unaware of FVA-funded activities in their countries, yet the mission is often called upon to respond to inquiries about and is held accountable for AID activities in

its country. Officials in all four AID regional bureaus stressed that the missions need better information about FVA-funded activities.

The lack of knowledge that missions have about FVA grant activities was demonstrated in the following cases: first, during an AID official's visit to the AID mission in Ecuador, it was discovered that the mission knew of only one of the seven FVA-funded grants active in that country. Similarly, before our field visit to Honduras, we cabled the mission of our intent to evaluate a matching-grant subproject involving an indigenous PVO. Mission officials told us that before the receipt of our cable, they were unaware that AID was funding this activity. Officials stated that not being aware of all AID-funded activities could result in embarrassing situations for the embassy if a FVA-funded project ran afoul of the host government. Other missions also stated a need for better information from FVA because the host government holds the mission responsible for any AID funded activity in the country.

FVA has made an attempt to improve the information that missions receive about FVA-funded grant activities. It has, for the past 3 years, solicited responses from relevant missions concerning matching-grant proposals. For the past year, FVA has sent a semiannual report to missions listing for each FVA grant: the purpose, the countries in which the grants are being used, and a brief statement on overall status. Over the past year, FVA has also sent copies of grant proposals to relevant missions whenever grant agreements have been signed.

These efforts do not yet satisfy mission information needs. The project descriptions are general, covering all countries, while missions need and want to know who is involved in-country, where they are operating, status of activities, and who to contact in-country should need arise.

Better information sent from Washington will not help, however, if missions fail to systematically collect the information and distribute it to key staff. The Honduras mission's lack of knowledge of FVA grants was due, in part, to the failure to systematize its handling of FVA grant information. Thus, information was often not properly disseminated. The mission has corrected the situation by assigning a staff member to be the focal point for each FVA-funded grant.

The steps that FVA has taken to improve the information that missions have on FVA grants should be an improvement over the current situation. However, we believe missions need to be given more specific information--information readily accessible to FVA grant officers.

USEFULNESS OF THE ADVISORY COMMITTEE IS QUESTIONABLE

The Advisory Committee on Voluntary Foreign Aid currently consists of 15 members appointed by the AID Administrator, to serve as a focal point for relations between the U.S. Government and U.S. PVOs active in the fields of relief, rehabilitation, and development overseas and to assure that the voluntary sector plays a vital and dynamic role in the formulation and execution of foreign assistance programs. The committee's usefulness is questionable, but recent changes may improve its effectiveness.

The President's War Relief Control Board was established by the President in 1942 to control most charitable contributions involving war relief activities. The board was authorized to register organizations involved in these activities, regulate their activities and even, if necessary, eliminate such agencies for reasons of efficiency. The board was dissolved in 1946, but was replaced by the current committee. The committee was ultimately given authority to register qualified PVOs desiring U.S. Government reimbursement for their ocean freight charges on shipments of relief goods, U.S. Government excess property for overseas relief or development purposes, U.S. Government food supplies associated with the Public Law 480 program and AID grants to PVOs. In 1979, responsibility for PVO registration was shifted to AID.

The current duties of the committee are

- to advise AID on matters and issues involving AID and PVO interaction,
- to provide assistance to PVOs on matters of concern to them in their relations with AID and other U.S. Government agencies,
- to foster public interest in the fields of voluntary foreign aid, and
- to provide guidance to AID about the registration process and to serve as an appeals board for the registration of PVOs.

The committee meets quarterly and is assisted in its work by a staff of AID employees, headed by an executive director.

The unique characteristic of the advisory committee is that it is a neutral body composed of citizens drawn from the interested public and, thus, can serve as a third party arbitrator between AID and the PVOs. For many years, the major function of the committee, in its role as third party arbitrator, was to register PVOs. Through registration, the committee served the function of certifying to the foreign assistance community and the

American public that a particular PVO was competent and trustworthy. Over the years, however, registration has lost its meaning as a certification to the public and become merely the first step for a PVO interested in AID funding. Some past committee members have expressed regret that the committee no longer has responsibility for registration, and since registration was made an AID responsibility, much of the rationale for the committee was lost.

In the more recent past, the committee still had an arbitrator's role in the discussions surrounding the AID grant mechanisms established in 1974 and subsequent years, and other issues related to the new relationship between AID and PVOs mandated by the Congress. But these procedural battles no longer represent a primary concern of the committee; recent meetings have focused on broader program issues such as development education.

Currently, committee meetings are viewed as useful forums for the discussion of AID/PVO issues, but not necessarily the preferred forum. AID sometimes uses other means to solicit PVO opinion, such as letters to the PVO community or meetings between AID and PVO officials. PVOs have established separate organizations, such as Private Agencies in International Development, to promote their interests. We spoke to officials of 13 PVOs selected at random, about the committee. Six expressed doubt about the amount of influence the committee has with AID, adding that some individual PVOs may have more influence. Five officials also stated that the committee lacked a sense of purpose. Only two officials were unequivocally supportive of the committee.

The committee has had four different executive directors in the last two years and there have been several vacancies in the committee itself in recent months. Actions have recently been taken, however, to improve committee effectiveness. First, the AID Administrator has filled all committee vacancies and expanded the committee staff. Second, a precedent has also been established whereby the committee chairman and executive director brief the Administrator after each committee meeting. Third, the committee has undertaken a number of activities including the following. It will serve as a liaison between AID and PVOs during discussion of the proposed AID policy statement on PVOs. The committee and its staff is also working to ensure that PVOs and other foreign aid groups are adequately informed and assisted by AID regarding a variety of development issues. This activity includes implementation of AID's development education program (under the Biden-Pell Amendment). This was the major topic of the October 1981 committee meeting. The committee is also attempting to improve collaboration between PVOs and U.S. corporations--the major subject of its December 1981 meeting.

CONCLUSIONS AND RECOMMENDATIONS

The AID dual-funding approach uses both aspects of its dual relationship with PVOs. Through mission-funded grants, AID is able to utilize PVOs as intermediaries and through centrally funded grants, AID is able to support PVOs as independent development agents. Likewise, the dual-funding approach allows the PVOs a choice in their relationships with AID--depending on their philosophies and capabilities. The PVO program could be more effective, however, if structural adjustments are made.

AID missions could improve their PVO programs by consulting with knowledgeable and experienced PVO officials in-country about mission development strategy. Such officials can provide valuable information to the mission about country needs and conditions. Missions should also increase the use of co-financing grants as a method of funding PVO projects. Co-financing grants are, in most cases, superior to OPGs as a way of funding PVO projects.

The FVA Bureau also needs to improve the management of its PVO program. The matching-grant program provides a good alternative to mission grants for AID funding of PVOs and many matching-grant recipients are well qualified. However, FVA has awarded some matching grants to PVOs which had inadequate experience in development activities. AID needs to clarify and adhere to its program criteria. FVA also needs to improve the information that missions receive about FVA grants. Missions need more detailed grant and project information if they are to effectively represent AID to the host government.

Although the Advisory Committee on Voluntary Foreign Aid has in the past, helped define the structure of the AID/PVO relationship at both the mission and AID headquarters levels, its current contribution and purpose are questionable. In recent months, however, actions have been taken which may make the committee more effective. It is premature, at this time, to assess whether these actions will improve the committee's effectiveness. We believe that by the end of fiscal year 1983, sufficient time will have been allowed for the changes to take effect and thus, that PVOs and AID should jointly assess the impact of these changes on the committee. If an acceptable level of effectiveness has not been achieved, the committee should be abolished.

Therefore, we recommend that the Administrator, AID,

--direct AID missions to formally consult with knowledgeable PVO officials in-country about development needs and local conditions in preparation of the CDSS,

--increase the use of co-financing as a method of mission funding for PVO projects,

- define specific criteria for determining PVO track records and limit matching grants to PVOs with demonstrated development programs,
- improve the information that missions receive about FVA grants, so that the missions can be better prepared to answer inquiries about such grants, and
- assess, in cooperation with PVOs, the effectiveness of the Advisory Committee on Voluntary Foreign Aid prior to fiscal year 1984.

AGENCY COMMENTS AND OUR EVALUATION

We received comments from 10 PVOs, the Advisory Committee on Voluntary Foreign Aid and AID concerning this chapter's findings, conclusions and recommendations.

AID agreed with our recommendations on PVO input to mission strategy, co-financing grants and information to missions on FVA grants. PVOs commenting on these topics agreed with our recommendations, except for Catholic Relief Services. It disagreed with our recommendation that AID expand the role of the mission in funding PVO projects through co-financing. Catholic Relief Services stated that some AID mission personnel have a low opinion of PVOs, which hinders effective relationships between AID and the PVOs.

Our recommendation does not imply that mission funded activities should increase relative to FVA-funded activities. Both types of funding are important in the AID/PVO relationship. Co-financing will simplify the administration of mission-funded grants and should, if anything, improve relations between PVOs and the missions because of the closer contact involved.

Regarding our recommendation on matching grant recipients' track records, AID agreed that a clarification of what constitutes a development track record is needed. However, AID had additional comments of an explanatory or elaborative nature, which, where appropriate, were incorporated in the report. Regarding our finding that some matching grant recipients lacked demonstrated development track records, AID commented that these grants were awarded in the early stages of the program, when criteria and approval standards "were still evolving."

We received comments from 5 PVOs concerning the matching grant section. Two agreed with the recommendation; three sought to clarify our presentation.

World Vision Relief Organization commented that limiting matching grants to PVOs with proven development programs would be

"a most deleterious and parochial approach to a program that was designed to improve the effectiveness and expand the capabilities of the PVO community in development." World Vision questioned how the standards for determining track record would be set and argued that its 30 year track record of "grass roots, childcare programs" was worthy of matching grant support.

MAP International said that having a demonstrated track record was not a major factor at the time its grant was approved, "nor should it have been" since such a requirement would be unrealistic for a new development organization. MAP suggested that some type of institutional development grant may have been more appropriate to its circumstances than a matching grant, since its development experience consisted primarily of a development program grant. MAP agreed that a clearer definition of development track record was needed.

We believe that although the criteria for matching grants has evolved since its inception, such grants have always been intended for PVOs with demonstrated development track records. Contrary to World Vision's comments, the matching grant is not an institution building grant, but rather is intended to expand proven programs.

Our draft report contained a proposed recommendation that the Advisory Committee on Voluntary Foreign Aid be abolished. We modified the proposed recommendation after receiving comments from AID, the committee and 5 PVOs. AID and the committee pointed out recent actions taken to improve committee effectiveness. (See p. 35.) PVOs opposed the abolition of the committee because (1) smaller PVOs need the committee, (2) a neutral citizens committee can be helpful in addressing AID/PVO issues, (3) AID has been very responsive to the committee, and (4) because they see an expanded future role for the committee due to possible increases in AID funding of PVOs. One PVO said that rather than abolition, what is needed is a review of the committee's role.

While we modified our proposed recommendation because of the recent actions taken to improve committee effectiveness, we still question whether these changes will make the committee an effective organization. Changes made in the committee should not reduce the committee's neutrality--which AID, committee members and PVO officials often cite as an important attribute of the committee. Some PVO officials, however, say that the committee is too closely connected with AID. AID, in its comments on our draft report, stated that the committee "ought to continue as a resource to AID in carrying out the Congressional mandate and the Administration's policies." Since AID appoints the committee members and pays for the committee staff, it is not surprising that AID considers the committee an extension of itself, but it calls into question the ability of the committee to be a neutral arbitrator in the AID/PVO relationship.

CHAPTER 4

PVOs AND AID SHOULD ASSESS THE IMPLICATIONS OF EXPANDED PROGRAMS

The level of funding for PVO programs has been a subject of considerable Congressional concern. The International Security and Development Cooperation Act of 1981 (Public Law 97-113) provided that at least 12 percent of development and disaster assistance funds be channeled through PVOs and that the President seek to channel 16 percent through PVOs. In the accompanying report, the Congressional committees urged that 16 percent be viewed as a target, not as a ceiling, which should be exceeded if appropriate.

The funding level that is eventually set has differing implications for AID and PVOs. For AID, emphasis is a question of which development objectives are best attained through support and expansion of PVO programs. For PVOs, the primary issue is whether dependency on AID financing undermines PVO independence. Our review of these issues showed that before AID can resolve the question of appropriate emphasis, the development objectives behind its support to PVOs should be defined; when these objectives should be met through U.S. PVOs rather than through direct AID assistance should be addressed; and problems impinging on support to PVOs should be identified. Our review also showed that the autonomy and dependability of PVOs is undermined by excessive dependency on AID.

AID MUST RESOLVE IMPORTANT POLICY ISSUES

From an AID perspective, the appropriate emphasis on PVOs should reflect what PVOs contribute to development and how these contributions relate to overall AID objectives. AID policies, however, have never defined the objectives of its support, the extent to which support for indigenous rather than U.S. PVOs is appropriate to achieving these objectives, or how administrative concerns affect the optimal level. Thus, the implications of alternative funding levels for the development impact of the total AID program are not identifiable.

AID policy guidance has never clearly articulated PVOs' primary contributions to development or the relationship of these contributions to AID objectives. Instead, policy statements have tended to focus on the kind of relationship desired, that is, whether PVOs are intermediaries for AID or independent development agents doing something which AID values. In addition, policy

statements describe the unique qualities of PVOs which make them attractive partners to AID.

Guidance contained in the AID policy handbook is illustrative. The policy statement cites several important qualifications of PVOs for development work, including their concern for social justice, their flexibility, and their extensive grassroots and government contacts in developing countries. The policy also states that it

"is in the common interest of AID and PVOs that they increase the scope of their cooperation and profit from an exchange of developmental experience, plans, and staff capabilities."

The policy statement also refers to the desirability of PVO-initiated and implemented activity and a role in performing development functions done more efficiently and effectively through PVOs. Nowhere does the policy guidance address the basic purposes --such as strengthening local organizations, promoting growth of indigenous private voluntary organizations, or delivering health and other services to areas not served by government programs-- behind the expanded cooperation.

A lack of program focus and inadequate development objectives are also found in the policy framework for the matching-grant program. The policy guidance for the matching-grant program states that the program is aimed at expanding successful PVO development activities, in addition to leveraging increased private support. Awarding grants to PVOs with established track records is emphasized; however, the guidance does not identify the potential contributions which expanded PVO programs will make.

Because of the lack of a clear policy, the responsibility for determining agency policy rests with individual AID missions. Missions are not only charged with defining the relevance of PVO contributions to a particular country situation, but they also must define the contributions PVOs make to development.

The policy and program objectives differ at each mission. For example, the Cameroon mission currently limits funding to pilot projects which can be replicated on a national basis. The Peru mission views the strengthening of indigenous organizations and testing of innovative approaches as objectives which motivate its support for PVOs. The Sudan mission sees little role for PVOs beyond that of AID project implementors.

The delegation of this responsibility is problematic in several ways. Individual missions may lack extensive experience with PVOs and knowledge of the form fruitful collaboration has taken in other countries; until the late 1970s, AID contact with PVOs had been primarily limited to the 7 PVOs involved with food

distribution. Moreover, the policies evolving from individual missions may be inconsistent with Congressional policy; using PVOs primarily as implementors of bilateral projects deviates from Congressional urgings to support independent PVO initiatives. PVO officials frequently cite a different problem: working with 45 individual missions in different countries, each with its own set of policies, adds to the administrative costs of collaborating with AID.

Balance between support to U.S. PVOs
and to indigenous groups not defined

Direct AID grants to indigenous organizations have steadily grown and have important implications for future AID/PVO relations. Expanding the ability of these organizations to address critical development problems is sometimes viewed as an underlying purpose behind PVO support. The extent to which this objective should be met through direct AID grants to indigenous groups or through support of U.S. PVO efforts is an important issue affecting the scope of AID's partnership with U.S. PVOs.

Arguments for and against direct AID support to indigenous groups are numerous. Direct support may sometimes be more efficient because it eliminates intermediaries and enables greater flexibility by permitting AID to respond to targets of opportunity as they arise. Direct support avoids the creation of dependency on U.S. organizations and, because there is no backup U.S. PVO, may actually result in greater growth of organizational capacity.

Arguments against direct AID funding include that AID is restricted by the government character of its programs and its position in official foreign policy. Host governments may object to any direct AID assistance to local groups. Moreover, AID's ability to assist the work of some organizations may be limited by concerns about being too closely identified with the U.S. Government.

Other reasons for limiting direct AID financing include the problems which indigenous groups may encounter in meeting AID regulations and accountability requirements. U.S. PVOs are able to work with organizations which are not sufficiently developed to handle all but very small grants or to meet AID administrative requirements. PVOs may also work with groups which would be unlikely to come to AID's attention.

Resolution of this debate affects the availability of funding for PVOs in particular countries and regions. Some missions, most commonly in Latin America, work primarily with indigenous groups; others channel all assistance to local groups through PVOs.

Administrative requirements create problems in expanding PVO programs

The degree to which AID resources can be channeled through PVOs is also hampered by the administrative burden such programs present. Although PVOs focus mainly on small development projects, such small projects increase administrative requirements at a time of reduced AID staffs. Many administrative requirements for projects do not depend on project size. Thus, the paperwork for a \$100,000 PVO project is similar to a \$10-million bilateral project. As a result, AID mission officials maintain that PVO projects require considerably more management time per dollar than much larger bilateral projects. AID frequently becomes involved in project design and if implementation problems arise, considerable AID involvement may become necessary. Therefore, AID's management burden has not been relieved, as expected.

The problem of handling small projects comes at a time of decreasing AID mission staff resources. This has accentuated the problems in funding small PVO projects and has increased pressure to demonstrate program value. The problem is not limited to PVO projects. In response to pressures to manage with less, AID has begun to move toward larger bilateral projects. For example, in Cameroon, AID officials have decided to emphasize large projects (\$5 million was used as an illustrative figure). Although this action is due to several concerns, it does reflect the pressure to "do more with less." The 1982 program is expected to increase over fiscal year 1981, but the mission has been directed to reduce its U.S. direct-hire staff from 29 to 22 positions. Similarly, the Sudan mission prefers not to fund projects below \$3 million.

We believe the movement towards larger projects has important implications for the PVO partnership. Opportunities for PVOs may decline as missions become unwilling to fund small projects. Or, PVOs may be encouraged to abandon their emphasis on small projects and instead become implementors of large bilateral projects.

DUAL RELATIONSHIP FACES CRISIS

The dual role for PVOs envisioned in the foreign aid legislation is being jeopardized by financial dependency. The Congress originally provided that AID would sometimes relate to PVOs as independent development agents with their own programs of responding to the poor and sometimes as intermediaries for the AID program. However, the characteristics which should mark PVOs as independent development agents are eroding as some PVOs increasingly move toward a predominantly intermediary role. The intermediary role is valuable to AID but the PVOs' intermediary relationship with AID should not be allowed to become an opportunity for PVOs to sacrifice their private and independent character. PVO officials are nearly unanimous in their concern for retaining independence, since without independence the value of

working with PVOs is called into question. PVOs represent private citizens responding to independently perceived needs, thus complementing what governments do.

The PVO program requires independence and dependability

Commitment to purpose and dependability in action are hallmarks of a PVO acting as an authentically independent development agent. Yet, current PVO practices tend to erode these standards. An unhealthy focus on obtaining new program funding shapes some PVO activities rather than the PVO's own program focus. PVO autonomy and dependability suffer as PVOs await AID decisions rather than responding to the needs of their target communities.

Some PVOs more nearly resemble contractors than independent agents implementing their own programs. The PVO investigates the market, AID missions, then packages its program to sell to the mission. A PVO may have little of its own resources invested in a project because, under current regulations, no contributions are required for projects funded under cooperative agreements. For OPGs, PVOs may count host government or beneficiary contributions to the project as the requisite 25-percent, non-AID project funding. Such AID/PVO partnerships can occasionally serve a mutual interest--the PVO's interest in added resources and AID's interest in project implementation. But very quickly such arrangements can undermine PVOs' program purposes.

At times, AID decisions dictate PVO actions. Such situations--evident in three of the missions visited--call into question PVO autonomy and, in some cases, PVO program purpose. For instance, a PVO may await AID financing before proceeding with a project or a PVO may decide to withdraw from a region or a project when AID stops its funding. In a community development project in Cameroon, a PVO waited 2 years for AID approval. During that time, the PVO did not have a representative in-country and took no initiatives on its own. In another project in Cameroon, for which AID funding will soon end, the PVO is not planning to continue the project. Our project sample also revealed instances in Cameroon, Honduras, and Peru where project designs were adapted to avoid further AID delays. 1/

PVOs dependent on AID for financing projects must soon face the issue of their own dependability. AID program shifts can

1/It should be noted that in a fourth country--Sudan--most PVO projects were funded at a time when the AID program was being re-established and the understaffed mission was straining to administer a rapidly expanding program. It was thus unable to become deeply involved in PVO proposals.

make a PVO commitment to an indigenous community highly uncertain. The need for a second phase may be recognized by AID and the PVO from the start, but changes in AID priorities can lead to mission unwillingness to fund a follow-up project, regardless of project success. For instance, the AID mission in Sudan has decided to de-emphasize education, making the possibility of a follow-up project extremely unlikely.

In contrast, the Institute for International Development, Inc.--a PVO with 47 percent U.S. Government funding--provides an example of PVO dependability. The Institute, with AID support, assisted in building a training center in Indonesia. The center was forced to close when the indigenous group managing the center split apart due to an internal conflict. After the conclusion of the AID project, the Institute has continued its efforts to see that the center is utilized and has provided technical assistance to the host-government agency taking over the center, thus assuring that its commitments to the local community are fulfilled.

Financial pressures move PVOs toward dependency

Pressures on PVOs to move toward an intermediary role arise from the structure of the AID/PVO relationship, PVO organizations, and from AID missions. The dual approach, balancing an independent agent role with the role of AID intermediary, could change to dependency on AID to define the PVO's purpose and to finance programs. AID resources may be relatively accessible when compared to private fundraising. AID financing of one \$25-million multi-year bilateral project surpasses the annual budget of most PVOs; only a few PVOs--generally those with either a church network or child-support program--raise over \$25 million in private funds. Few effective restrictions exist regarding how much money AID can pour into PVO projects so, the resulting tendency is for some PVOs to move toward potentially accessible funds.

Increased PVO administrative and personnel costs from earlier involvement in AID institutional development grants and from AID-financed project activity require a steady stream of new projects to avoid cutbacks. Under the AID institutional development grants, many PVOs were able to expand staff capabilities. Additional staff members were hired to keep up with an AID-financed surge of project activity. PVOs face a challenge to keep their larger staffs in use. As one PVO executive director reported, he cannot afford to have well-paid experts sitting around his home office with nothing to do. Another PVO reported that it dare not terminate an OPG because then it would have to return unspent project money. In at least one case, a PVO did not receive AID grants and was subsequently forced to dismiss some of its staff.

In the field, AID's own pressures on PVOs come to bear. In earlier years, emphasis was placed on funding PVO-initiated projects. Most projects in our sample--limited to projects financed

in 1978 or before--were PVO-initiated. Today, in a time of tight resources, mission directors must stretch scarce funds for mission programs. In such an atmosphere, missions increasingly treat PVOs as intermediaries, implementing mission programs. Frequently, projects are identified and the mission searches for PVOs to undertake them. Mission officials in Peru and Cameroon indicated that such a pattern is common. Moreover, in its 1981 annual meeting with PVOs, Africa bureau officials stated that, despite official pronouncements to the contrary, missions approach PVOs as intermediaries rather than independent agencies.

AID acts to limit PVO dependency

Encouraged by the Congress, AID has recognized the danger that financial dependency represents to PVOs as independent development agents. The AID response to this problem has been to introduce financial requirements for working with AID, proposing 20 percent as a minimum percentage of PVO budgets which must come from private sources and instituting cost-sharing arrangements for many grants. These steps may not go far enough. As a limitation on the resources AID can make available, these steps are improvements; however, they do not restore autonomy and control to individual PVO projects.

PVOs suggest organizational safeguards

Thoughtful leaders within the PVO community, aware of the dependency problems, believe that safeguards exist or can be created to ensure the independence of PVO programs. To this leadership, the issue is not one of financial dependency but of accountability. In their view, PVO integrity depends first on having a distinct, well-defined, mission or objective. Once that mission is established, a private autonomous board of directors can act as an effective safeguard in straying from that mission. Lastly, the existence of a real domestic constituency, to which PVOs are accountable, acts as a final check on PVOs remaining true to their missions.

Despite strengths, the suggested model for maintaining PVO independence collides with the desire of PVOs to survive and with AID's character as a field-oriented activist organization. Missions view the successful implementation of the assistance program as their main priority and do not commonly see PVOs as an integral part of this effort. The failure of many missions to view PVOs as an integral part of the assistance program reflects, in part, the competing priorities they confront. For example, missions are encouraged to focus their effort on areas where a clearly discernible impact can be achieved and which maximize the program's visibility to host government officials.

Coupled with this activist character of AID missions, is continuing PVO interest in mission funded grants. Many PVOs receive funding through mission OPGs and also maintain field-based staffs

whose livelihood may depend on new AID grants. In a dispute with AID that threatened their financial viability, it would be difficult not to accept a "temporary" shift in program focus to preserve the rest of their program. Such situations have occurred. For example, when the 1973 New Directions policy was first enacted, one PVO almost totally dependent on AID funds was pressured to move from building intermediary institutions to directly delivering services to the poor.

CONCLUSIONS AND RECOMMENDATIONS

AID has yet to confront a number of issues which define its partnership with PVOs. What PVOs contribute to development and how this is valued in terms of AID objectives is critical to defining the desirability of alternative funding levels. Higher funding levels imply that the AID program will be increasingly transformed into what PVOs do--small, locally-based projects--or, given administrative constraints, that PVOs will be transformed into implementors of AID bilateral projects.

PVOs already face a multitude of pressures to transform themselves into AID intermediaries. Such pressures are inevitable, given the inequality of the partners--a multi-billion dollar agency of the U.S. Government and small, private institutions with budgets seldom exceeding \$25 million. It is doubtful that some PVOs can insulate themselves from the momentum toward dependency relationships. Thus, AID must take the lead in restructuring its relationship with PVOs to limit its impact on PVO project funding.

The calculations which PVOs make in assessing the opportunity costs of AID funds should be altered so that PVOs see themselves as committing at least as much to a project as AID. Only then can they be equal partners with AID and retain ownership of their projects. PVOs would then be encouraged to weigh more heavily what contributions projects would make to their programs and what the likelihood of success would be.

Except for matching grants, PVOs are not currently required to match AID contributions to programs. Because some PVOs with worthy programs would have difficulty meeting such a requirement, steps to increase PVO contributions to programs should be phased in over a reasonable, perhaps 3-year, time period.

Therefore, the Administrator, AID should

- clarify the objectives behind support to PVOs and the role of U.S. and indigenous PVOs in meeting these objectives, and
- give priority to PVO programs in which the PVO matches AID contributions.

AGENCY COMMENTS AND OUR EVALUATION

AID comments noted that a draft policy paper has been developed to clarify AID policy towards PVOs. AID specifically cited its agreement with the need to clarify AID policy on support to indigenous PVOs and stated that a policy review of this issue will be initiated in the next few months.

CARE contended that it was not AID's responsibility to define and determine the extent of PVOs' contribution to development. Catholic Relief Services indicated a need for "more effective communication from AID/Washington with respect to the role of PVO's" and referred to problems with the disparate philosophies on development held by mission personnel and the uneven interpretation of policies by AID missions.

AID and several PVOs agreed with the analysis of PVO independence. However, both AID and PVOs cited problems with implementing the recommendation that PVOs match AID contributions to their programs. AID commented that it is "increasingly more difficult for the private sector to raise support under current economic conditions" and stated that it would be impractical at this time to increase cost-sharing requirements beyond those contained in the AID draft policy paper. Several PVOs--AMREF, The Asia Foundation, CARE, Catholic Relief Services, and Save the Children--opposed the recommendation. PVOs cited the difficulties such a matching requirement would present. CARE noted the increasing demands for private funds and the problems in raising contributions from the general public, except in emergency situations. Save the Children, although describing the recommendation as theoretically sound, objected because some of the most creative and innovative projects are implemented by small organizations which could not meet a matching requirement.

We believe that AID's effort to clarify its policies through the draft policy paper and its plans to institute a policy review on support to indigenous PVOs are important steps. However, we do not believe that the policy paper--which focuses on operational issues--addresses the fundamental question of how PVO contributions relate to AID's overall development objectives. We agree that AID should involve the PVO community in defining PVO contributions to development.

We agree with AID and PVO concerns that a matching requirement should be applied to all PVO grants, given the current realities of private fundraising. However, we believe our recommendation, as modified, recognizes the desirability of matching contributions while acknowledging the need to retain flexibility in applying such a requirement.

PVO GRANTSAGENCY FOR INTERNATIONAL DEVELOPMENT

--Operational program grants (OPG), initiated in 1974, enable PVOs to carry out specific projects in individual countries, usually for a 2-or 3- year period. Normally, at least 25 percent of the support must come from non-AID sources. Sometimes, assistance is provided under a cooperative agreement instead of a grant agreement so as to provide for greater AID involvement and control of the project.

--Co-financing grants, similar to OPGs, were initiated by the Indonesia mission in 1974 and are now used throughout the Asia Bureau missions. Co-financing grants and OPGs share the same general purpose but differ administratively.

--Development program grants were initiated in 1974, at the same time as the OPG to assist PVOs in making the transition from primarily relief to development work.

--Institutional development grants, initiated in 1978, have been awarded to a small number of development program grant recipients to continue efforts begun under the development program grants.

--Matching grants were instituted by AID in 1978. Matching grants support PVO overseas programs in several countries. AID pays up to 50 percent of program costs; grants may amount to between \$100,000 and \$1 million a year for up to 3 years.

--Institutional support grants are awarded to organizations which provide unique development services, but are unable to raise sufficient private support to cover overhead costs.

--Management support services grants, initiated in 1978, are awarded to PVOs which in turn provide management or program-support services to other PVOs.

--Consortium grants, initiated in the early 1970s, are made to a limited number of PVO consortia, enabling consortium members to better coordinate their programs and to fund grassroots projects which would be too small for AID to administer directly.

PROJECT DESCRIPTIONS

Project descriptions describe project performance in terms of the success indicators identified in Chapter 2. For each project, the proportion of project targets (outputs) achieved is discussed. Sustainability is generally discussed only if it is problematic. Replication and spread of project benefits or strengthening of an indigenous organization are usually discussed only for projects where such impacts occurred. Project descriptions follow.

Project : Bui Food Marketing Cooperative Extension Project

PVO : CODEL; Mill Hill Fathers
(Member Organization of CODEL)

Country : Cameroon

Cost : AID/CODEL \$44,160
Other 27,060

Total \$71,220 ^{1/}

Type of Grant : Consortia Grant to CODEL

Project Timeframe: Oct. 1978 - Oct. 1980

Objectives: The project sought to strengthen the Bui Food Marketing Cooperative through enlarging the services it provided to its members and increasing the Cooperative's income. Specifically, the project financed the purchase and installation of corn grinding mills, the construction of a piggery and the purchase of pigs and a boar, and the construction of a poultry house and the stocking of it with chickens.

Results: The project met all of its construction outputs. It also successfully made all the necessary purchases. The major problems have been in the area of operations. The corn grinding mills are in operation and, undoubtedly, the most successful component of the project. However, even this component has a sustainability problem. The number of mills in operation require two mechanics for repair and general maintenance. At the time of GAO's fieldwork, only one mechanic was available to the cooperative and he was falling behind in his work. It was not clear if the mill's grinding fees would bring in sufficient revenues to hire a second mechanic.

The other major outputs, the piggery and the poultry unit, are failing because no one has the technical knowledge to successfully operate them. The problem arose because the Mill Hill Father who was the project manager and who had the necessary expertise was transferred to another post. ^{2/} Neither the Mill Hill Fathers nor CODEL followed up after the priest's transfer to ensure that the needed technical assistance would be available. At the time of GAO's field visit, the possibility still existed that the necessary technical and management assistance might be made available by a PVO funded under a mission OPG.

Since the project began, other villages plus some individuals outside the Women's Cooperative are setting up corn grinding mills. These new mills sometimes end up in competition with the Cooperative's own mills but their very existence amply demonstrates the relevance of the project's concept.

^{1/}Converted at the rate of 203.94 cfa per U.S. dollar.

^{2/}In its comments, CODEL attributed the problem to the preoccupation of one of the cooperative's leaders with other activities rather than to the loss of the Mill Hill Father who managed the project. Our field assessment, conducted a year after CODEL's visit, is based on discussions with the Mill Hill Father who managed the project, cooperative officials, the cooperative manager and other cooperative employees.

Project : North Cameroon Pilot Community Development Project

PVO : Save the Children Federation/Community Development Foundation

Country : Cameroon

Cost : AID \$351,000
PVO 319,250
Others 114,150
Total \$784,400

Grant : OPG

Project Timeframe: Sept. 1977 - June 1981

Objectives

The project's goal was to create effective and self-reliant village-based community development organizations in the target area which would be replicable models for the entire country. Specifically, the project intended to startup village development committees in the target villages. Eighteen months into the project, these committees initiated subprojects in water resources development; agriculture, forestry and animal husbandry; formal and nonformal education; and primary health care.

Results

Most planned outputs were achieved. The project succeeded in starting up village development committees and in initiating a host of subprojects in the targeted sectors. At project's end, some of the subprojects were not yet completed. Both AID and Save the Children staff in-country agreed that perhaps the project had tried to spend too much too quickly; another year of implementation time was required. In actual fact, some project staff will spend the year after the project ends finishing up those leftover projects.

The larger goals are more difficult to assess. During the project, in an extremely underdeveloped area, a great many new ideas and practices were introduced over a short period. The project met some resistance and apathy. An AID evaluation questioned whether the village development councils would be sustained.

The project has acted as a prototype for two more community development projects sponsored jointly by the Cameroonian government and Save the Children. The Government's decision to launch two new projects, although admittedly with Save the Children's assistance, bespeaks a growing commitment to community development and an expanding role for the concept in the country's future.

Project : North Cameroon Rural Health
 PVO : Catholic Relief Services
 Country : Cameroon
 Cost : AID \$ 469,000
 PVO 302,500
 Others 750,000
 Total \$1,521,500

Type of Grant : OPG

Project Timeframe: June 1975 - Dec. 1982

Objectives

The project purpose is to promote health care among the rural poor in northern Cameroon. The outputs to achieve this purpose were drastically revised during the course of the project. Originally, the project was to be a 5-year effort to train over 1,700 Cameroonians as health extension agents, rural health educators, auxiliary nurses, etc. Additionally, the project called for establishing 360 outreach stations and for starting up 120 village health committees. The revised outputs stretch out project implementation to 7 years and reduce the number of individuals to be trained to 115. The number of outreach stations and village health committees is reduced to a handful. The original design had totally misjudged the absorptive capacity of the health program of the two Catholic dioceses involved in the project.

Results

The project is well on its way towards achieving the revised targets. As part of a larger effort of Catholic missionaries to provide health services to northern Cameroon, the project has allowed them to substantially improve the training of health-workers, to strengthen the health-education component of their work and to tie together the 14 Catholic-operated dispensaries of the region into a more integrated public health-service unit. Once the project ends, the two Catholic dioceses involved in the project and the PVO will be able to continue the training activities albeit at a very reduced level. Most of the staff trained through the project will remain in the area as part of the regular personnel policy of the dioceses.

Project : Pespire Valley Integrated Development

PVO : Save the Children Federation/Community
Development Foundation

Country : Honduras (southern)

Cost : AID \$196,000
PVO 438,000
Others 77,000
Total \$ 711,000

Type of Grant : OPG

Project Timeframe: Sept. 1976 - Sept. 1980

Objectives

The aim of this project was to assist several isolated villages develop the capabilities needed so that all village inhabitants may jointly participate in their own community development process. Specifically, the project was to strengthen and expand a sorghum cooperative, and establish and implement agricultural diversification activities and industry development activities.

Results

Although some activities successfully met output targets, such as the establishment of a mango puree facility, most activities did not. The sorghum cooperative experienced problems, among other reasons, because the PVO did not adequately train the farmers on cooperativism. The agricultural diversification component failed primarily because the PVO did not hire an agronomist to properly teach the people about the diversification activities and because the people were reluctant to try these activities. With the exception of the mango puree facility, the other industry development activities never got started.

The success of the mango puree facility has led to the local people organizing a candlemaking facility and a bakery. Building fishponds (part of the agricultural diversification component), though unsuccessful in this project, is being attempted by other PVOs and the Government of Honduras in other locations, based on lessons learned in this project.

Project : Rural Leadership Training Center
 PVO : Hermandad, Inc.
 Country : Honduras
 Cost : AID \$ 85,130
 PVO 32,344
 Others 19,060
 Total \$136,534

Type of Grant : OPG

Project Timeframe: Aug. 1977 - July 1981

Objectives

The project was aimed at integrating the subsistence population of one area of Honduras into the country's development process through an informal education program promoting self-help efforts. To accomplish this, a community center was built and training offered in a variety of subjects, including cooperativism, human relations, agricultural techniques, and other aspects of community development.

Results

Planned outputs were largely achieved--the community center was constructed and a variety of training courses offered. Because of the training, one community identified the need for an electric generator and formed a cooperative to purchase and operate the generator. Another village identified poor crop yield as a problem and attacked the problem through the use of better farming methods, such as terracing.

Hermandad de Honduras, an indigenous group composed of community leaders, was formed to manage the project under the supervision of a project manager, appointed by Hermandad, Inc.

There is some question about whether the project can be sustained. The local PVO wants to be independent of the U.S. PVO, but the U.S. PVO claims that the local PVO has neither the financial nor the technical capability to be independent. The resolution of this conflict will affect the project's continued success.

Project : San Marcos Integrated Development and Training
 PVO : Lutheran World Relief
 Country : Honduras (northern)
 Cost : AID \$ 47,860
 PVO 3,140
 Others 59,000
 Total \$110,000
 Type of Grant : Matching
 Project Timeframe: Jan. 1979 - Dec. 1981

Objectives

The project was aimed at encouraging the development of the people in 18 remote communities in the vicinity of the town of San Marcos de Octopeque. The project had three components: health, agriculture, and human promotion. The health component included programs in infant care, child feeding, latrine installation, dental care, and nutrition education. The agriculture component included programs to improve grain and livestock production and to train local agriculture leaders. The third project component involved the training of community leaders and the development of a service theology among the evangelical churches in accord with the needs of the nation. The implementing organization was an indigenous PVO--Evangelical Committee for National Development and Emergency.

Results

The project achieved some of its output goals, but others were not met. The health and agriculture components were only partially successful, in part due to design flaws by the Committee. For example, a latrine program was severely delayed because improperly installed latrines resulted in sewage seepage, which in turn resulted in illness among the villagers and opposition to further latrine installation in surrounding communities. Also, the Committee tried to improve agricultural production, but the farmers had little incentive to change since they did not own the land they worked. These components did have their successes. For example, one village requested the Committee's assistance after a series of epidemics killed many of its children. Since that time, working in cooperation with the community, the Committee has established a community health center, medically examined and immunized the community, and conducted ongoing health and nutrition courses. The human promotion component was largely successful.

Prospects for sustaining outputs are mixed. The commitment and capability of local communities to sustain several health and agricultural activities initiated by the project have not yet been established.

Project : Aceh Social Development
 PVO : The Asia Foundation
 Country : Indonesia
 Cost : AID \$ 457,627
 PVO 2,950
 Others \$1,226,629
 Total \$1,687,206
 Type of Grant : OPG and co-financing
 Project Timeframe: May 1978 - Dec. 1981

Objectives

The project was aimed at demonstrating a role for a public university in rural development. Specifically, the project was to establish a rural development center, develop programs to enhance the role of women in rural development (such as home economics and secretarial science) and establish an Islamic law center.

Results

The project has met most of its targeted outputs. The rural development center was established and has completed 11 sub-projects, including a motorcycle repair course which has trained 40 students, almost half of whom have opened their own shops. The home economics program has sent 20 graduates to rural villages as nutritionists. The secretarial science program has several graduates working in government and corporate offices. Though behind schedule, efforts are being made to establish the law center.

The project was implemented by Syiah Kuala University with the PVO assistance. The project has strengthened the university's ability to promote rural development.

Some achievements will likely be sustained. The home economics and secretarial programs have received grants from a private corporation. The PVO is concerned, however, that with the departure of their rural development center consultant and internal university disputes, the center will flounder.

Project : Bali Low Cost Housing

PVO : CARE

Country : Indonesia

Cost : AID \$210,220
PVO and
others 299,417

Total \$509,637

Type of Grant : OPG

Project Timeframe: May 1977 - April 1979

Objectives

This project was to provide support for a low-cost housing program to assist earthquake victims through the construction of 1,000 homes.

Results

The 1,000 low-cost earthquake resistant homes were constructed by villagers with the assistance of CARE, the provincial government and the Ministry of Public Works. Close cooperation between the groups resulted in completion of the housing units in about ten months. Under close CARE monitoring, the provincial government handled the selection of participants and the purchase and distribution of materials. The public works ministry trained villagers in housing construction and oversaw day-to-day implementation. Each week, representatives of CARE, the provincial government, and the ministry met to discuss implementation problems and identify corrective actions.

A CARE project evaluation, cited by AID officials for its excellence, found that housing was built and utilized as intended and that villagers were satisfied with the housing.

The housing design has been incorporated into the provincial government's housing program. Moreover, the government's capacity to aid disaster victims and manage projects has been strengthened.

Project : Blimbingsari Bridge
 PVO : Church World Service
 Country : Indonesia
 Cost : AID \$18,125
 PVO 2,746
 Others 11,493
 Total \$32,364

Type of Grant : Co-financing

Project Timeframe: Sept. 1977 - Sept. 1978

Objectives

The project sought to improve the socio-economic condition of about 5,100 residents in two villages by construction of a 50-foot long concrete bridge which would improve their access to markets and schools.

Results

The villages of Blimbingsari and Ekasari initiated the project in response to a locally identified need. The Blimbingsari village council approached the local church which, in turn, requested support from the Indonesian Council of Churches, Church World Service's counterpart organization. The bridge was successfully built under the supervision of the local church and Blimbingsari village. The local government is responsible for maintaining the bridge.

While the bridge has improved the access to markets and schools, the goals have not been fully realized. A Church World Service evaluation concluded that a second bridge and road is necessary to provide Ekasari village, the relatively poor community, with the desired access to markets.

Currently, Ekasari village, prompted by the example of Blimbingsari, is attempting to organize a village committee to mobilize local government support for construction of the road and second bridge. The project thus strengthened the village's ability to meet its own development needs.

Project : Natural Family Planning
 PVO : Catholic Relief Services
 Country : Indonesia
 Cost : AID \$22,500
 PVO 4,000
 Others 12,979
 Total \$39,479

Type of Grant : Co-financing

Project Timeframe: Sept. 1978 - March 1982

Objectives

The project aimed at increasing family planning in Southeast Java through introduction of natural methods which would complement methods offered under Government of Indonesia programs. This would be done by the establishment of centers for training volunteer teachers who would disseminate information to acceptors. Twenty training centers were planned where 50-100 teachers would be trained and who would subsequently recruit 1,500-2,000 acceptors.

Results

The project has encountered problems in meeting objectives. Problems have arisen in maintaining teachers and participants (i.e., acceptors); there are about 14 active teachers and 1,000 acceptors. ^{1/} Resistance was encountered from local government workers who viewed the effort as competitive and likely to divert potential participants; under the Government programs, teachers are paid for each woman recruited into the program. The project encountered several additional implementation problems. The project manager was transferred from the project area while one of the two field coordinators died early in the project. Moreover the local family planning agency decided which villages the project could operate in; the villages assigned were either very remote or those whose acceptance of family planning was lower than average. Nevertheless, the project has influenced the government

^{1/}The Indonesia AID mission reported that, according to Catholic Relief Services staff, there were 74 teachers. During our field visit, the project manager and field coordinator reported that while 61 volunteer teachers had been trained, only 14 were active.

program: the local family planning agency has adopted the system of field visits introduced by the project. Prospects for sustaining the project are unfavorable. Financial support has not been found to continue the program once AID support terminates.

Project : Public Health Care, East Kalimantan
 PVO : Seventh-Day Adventist World Service
 Country : Indonesia
 Cost : AID \$ 43,077
 PVO 40,828
 Others 40,491
 Total \$124,396

Type of Grant : Co-financing

Project Timeframe: April 1975 - July 1977

Objectives

The project intended to provide training in health, nutrition, sanitation, and small-scale agricultural production in East Kalimantan. To execute such a program, a training center and a demonstration village were to be constructed. Five to twelve families were to come to the center each year to receive training after which they would return to their villages to demonstrate and teach what they had learned.

Results

The training center and demonstration village were constructed on jungle land donated by the provincial government, under the supervision of the local Seventh-Day Adventist representative. However, personnel to staff the center could not be found and the public health training center never opened. Responsibility for the facilities was eventually transferred from the Singapore regional office to the local Seventh-Day Adventist mission. Approximately three years after completion, the facilities were put to use to house a vocational training program for youths belonging to Seventh-Day Adventist churches. 1/

1/The Indonesia AID mission indicated that PVO staff disputed the point that participants belong to Seventh-Day Adventist churches. Our statement is based on information provided by the president of the local Seventh-Day Adventist Church, the assistant director of the center, and teachers at the center. They stated that although the program is open to anyone, those participating in the program have been affiliated with Seventh-Day Adventist churches.

Project : Regional Development Training Center
PVO : Institute for International Development, Inc.
Country : Indonesia
Cost : AID \$ 52,627
PVO 18,800
Others 62,125
Total \$133,552
Type of Grant : Co-financing
Project Timeframe: Sept. 1977 - March 1981

Objectives

The intent of this project was to construct a regional development training center in North Sumatra and offer training in health, sanitation, and agricultural production. Planned outputs also included agricultural projects which would generate revenue to finance operation of the training center.

Results

The training center was constructed and 90 people trained during the center's first year. However, two events forced the center to close. First, the agricultural projects which were to generate funds to cover operating expenses, never materialized. Second, an internal conflict within the indigenous group implementing the project left the center without an organization to operate it. Recently, management of the center has been transferred to the Government of Indonesia. The PVO is providing technical assistance to the local government agency which will operate the center.

Project : Expanded Urban Food for Work Program
 PVO : Seventh-Day Adventist World Service
 Country : Peru
 Cost : AID \$288,000
 PVO and
 others 302,000
 Total \$590,000
 Type of Grant : OPG
 Project Timeframe: Sept. 1978 - Nov. 1979

Objectives

The aim of the project was to improve the living and nutrition status of the Peruvian poor. Specifically, the project was to increase the number of recipients in the feeding program from 33,000 to 133,000; improve the living standards through community action projects using P.L. 480 commodities as an incentive; provide health and nutrition education to participants; and initiate pilot projects that examine the effectiveness of providing potable water and outdoor toilet tanks to the very poor.

Results

The project succeeded in achieving a majority of its objectives. The number of beneficiaries actually exceeded target levels, 147,000 compared to 133,000 planned. A wide range of community development projects were initiated including construction of schools and community centers. The majority of communities began with simple projects such as street cleaning; over the life of the project, many moved on to more sophisticated projects such as vocational education and potable water projects. As a result of these activities, beneficiaries have learned the benefits of community organization.

Other components were largely unmet. Although a nutrition education project was initiated, it was understaffed and lacked needed facilities and only a small minority of project participants were reached by nutrition education efforts. ^{1/} While two potable water pilot projects were started, they have not yet been completed since the communities have not contributed their share of the cost.

The project resulted in some unanticipated benefits as well. Prompted by the community projects, several beneficiaries have established small businesses and sell their handicrafts to local stores.

^{1/}Under a subsequent project, the nutrition education program was expanded. In 1980-81, approximately 1,900 community representatives were trained. Upon returning to their communities they provide instructions to other community members.

Project : Rural Water/Health Services

PVO : CARE

Country : Peru

Cost : AID \$450,000
PVO 189,000
Others 73,000

Total \$712,000

Type of Grant : OPG

Project Timeframe: Aug. 1977 - Aug. 1981

Objectives

The aim of the project was to improve sanitation and health in several rural villages in Peru. CARE, working with two agencies of the Government of Peru, was to install 20 water and 4 sewer systems, and deliver preventive health education and vaccination campaigns.

Results

Projected outputs of the construction component were greatly exceeded: 40 water and 5 sewer projects had been completed at the time of our visit and an additional 33 water and 2 sewer projects were expected to ultimately be completed. The health education and vaccination component did not meet output targets. This was due to discord between the two Peruvian Government agencies involved, a regional development agency, and the Ministry of Health. The failure of this component could have serious repercussions for the entire project. Although the villagers can perform routine maintenance of the systems, maintenance requirements will increase over time. One purpose of the health component was to teach the villages how to maintain the systems.

The project strengthened the capacity of the regional development agency which was responsible for day-to-day implementation of the program. The agency's ability to smoothly conduct the program without CARE assistance has been enhanced.

This project has also led to negotiations (at the time of our visit) between AID and Government of Peru to replicate the project at a national scale.

Project : Extension Education Training for Human Resource
Development

PVO : World Education, Inc.

Country : Sudan

Cost : AID \$206,000
PVO and
others 74,760
Total \$280,760

Type of Grant : OPG

Project Timeframe: Dec. 1977 - April 1980

Objectives

The project intended to establish in Afhad College, a private women's college, the capability to train its students to deliver integrated non-formal extension services to impoverished adults, primarily women, living in rural and urban areas. In reaching its objectives, the project was to create a curriculum in extension education, to train Afhad staff in its use, and to operate an actual extension program using Afhad staff and students. In the process, Afhad students were also to be trained in extension education.

Results

Almost from the beginning, the project ran into difficulties which stemmed from a major design miscalculation. The design neither worked through the implications of the project for Afhad College, nor dealt with the corollary question of whether the College was the right institution for the project in the first place. As it turned out, Afhad was not willing to focus its attention and resources on extension education. Essentially, the college wanted an instructor in extension education.

World Education, Inc. faced continual staffing problems during the project. When its second training expert resigned after only 7 months in country, AID used the occasion as an opportunity to terminate the project. The curriculum World Education, Inc. staff had been working on was not completed, and its impact on Afhad College has been minimal. By project's end, 37 Afhad students had received training in extension education. The training of Afhad College staff and an extension program were largely unrealized outputs.

Project : Southern Sudan Primary Health Care Project
 PVO : African Medical and Research Foundation
 Country : Sudan
 Cost : AID \$3,686,000
 PVO and
 others 1,838,000
 Total \$5,524,000

Type of Grant : OPG

Project Timeframe: Oct. 1978 - June 1983

Objectives

The project addresses constraints to the operation and expansion of Southern Sudan's Primary Health Care System. Specifically, it expands the Ministry of Health's training capacity through training instructors, building training facilities, and developing refresher courses for operations level Ministry staff. Additionally, the project is to streamline the Ministry's information and drug supply systems.

Results


Two years before the scheduled project completion date, the project is generally on track. The massive effort in training and retraining Ministry staff is well ahead of its targets. The upgrading of the drug supply and information system is proceeding slowly but the project staff still expect to meet their objectives in this area. The construction component has faced numerous delays, but again, barring unforeseen circumstances will be finished before the project's end.

Throughout the project, the Ministry of Health and AMREF have worked closely to ensure a maximum transfer of skills and experience to the Sudanese. AMREF's project staff are formally seconded to the Ministry of Health, and Ministry counterparts have been assigned to them. The Sudanese government is committed to continuing the project after AMREF withdraws, at least to the extent funding is available.

April 8, 1982

MEMORANDUM

TO: Mr. Frank C. Conahan, Director, International Division,
U.S. GAO

FROM: AA/FVA, Julia  Bloch

SUBJ: Response to Draft GAO Report: "Independence and Impact
of Voluntary Agencies: Concerns Shaping the Future of
Partnership with AID"

I. GENERAL COMMENTS

At Mr. McPherson's request, the following is the Agency's response to the GAO's draft report: "Independence and Impact of Voluntary Agencies: Concerns Shaping the Future Partnership with AID". The report displays a good understanding of a complicated subject. The report is particularly timely in that it deals directly with a matter that has undergone considerable discussion and study in the Agency for several months. Despite the multi-level relationship AID has had with private and voluntary organizations (PVOs) for the past few years, AID has acknowledged a growing need for clarification and restatement of the AID/PVO relationship. Our own separate analysis of the role between AID and the PVOs has culminated in the preparation of a draft, but public, Policy Paper (Attachment 1) which was very recently shared with the PVO community and the Advisory Committee on Voluntary Foreign Aid (ACVFA) for comment.

We are fundamentally in agreement with the GAO's recommendations with one strong exception; that is, that the Advisory Committee on Voluntary Foreign Aid be abolished. We would also like to make a number of specific comments regarding certain areas in the report that require clarification or on which we have further questions.

II. POINTS OF AGREEMENT

GAO's recommendations are for the most part compatible with the thrust of AID's proposed policy paper. The report confirms that the PVOs' strategy emphasizes strengthening of local indigenous organizations (both private and public). It is also agreed that the PVOs' strength is working on smaller-scale projects which operate at a more grass-roots level. The discussion is effective in citing the characteristics of PVOs, the differences in approach between AID and the PVOs, and the program focus of PVO activities.

We are pleased to note the GAO's emphasis on the appropriateness of the current dual funding approach of AID Mission and FVA central bureau grants. We agree that this is consistent with and complementary to AID's development objectives. This finding closely parallels our own conclusions. The report accurately notes the advantages

inherent in central bureau grants, e.g., matching grants (MGs), reinforcing with examples those instances in which such grants can be of particular benefit to the Agency. As GAO points out, central bureau grants provide an opportunity for AID and the PVOs to evaluate a total program approach in the context of multi-country, and often multi-regional, operations.

The critical indicators used by GAO, e.g., project sustainability, replication, etc., in evaluating PVO projects are useful to both AID and the PVOs in assessing achievement of future project outcomes. Food for Peace and Voluntary Assistance (FVA) has recently conducted a review of its evaluation methods for PVO projects, and steps are already in place to introduce GAO's suggestions, and other critical indicators, into the process. As stated in the policy paper, FVA will also continue to assist the PVOs in strengthening their evaluation capabilities. These efforts should produce better information relating to PVOs' impact in the field, and will also serve to assist the Agency in further defining its relationships with these agencies.

The factors GAO used in defining the success of PVO projects and the degree of influence these factors can have on implementation capabilities are also useful to AID's assessment process. The team's observation that project implementation may warrant more emphasis relative to project design than it is currently receiving is an important one which deserves close attention.

The recommendation that FVA assume the role of keeping Missions informed about PVO implementation skills is consistent with the AID policy paper. FVA is in the process of initiating additional information communication systems that will keep the Missions and the rest of the Agency better informed on all AID-funded PVO activities, whether Mission, regional or central bureau funded. We concur with the proposal that "greater efficiency and harmony" be sought through improved methods of information dissemination.

In the section of the report dealing with Operational Program Grants (OPGs) and co-financing approaches, the GAO effectively captures the reality of the funding process and typical delays encountered. We continue to investigate opportunities for more widespread adoption of the co-financing approach within the Agency. We agree that it presents real advantages in streamlining funding and administrative reporting requirements. The Policy Paper similarly proposes streamlining the proposal, authorization, financial management and implementation procedures for regional and Mission funded grants to PVOs.

We believe PVOs can indeed be valuable sources of input into Country Development Strategy Statement (CDSS) development. PVO assessments of local conditions can offer important perspectives on needs and priorities. The AID Policy

Paper parallels GAO's recommendation on this matter, stating that Missions must do a better job of more systematically drawing PVOs into the overall country programming process.

GAO recommends that AID clarify its policy objectives relating to support for indigenous PVOs. We agree. As reflected in the AID Policy Paper, this will be undertaken as a separate exercise during the coming months. It will be coordinated with all Missions and Bureaus within the Agency, as well as with the PVOs.

We share the GAO's views on the importance of protecting PVO autonomy and independence and the report's recognition of the implications in this regard of the various types of programs AID supports and the conditions pertaining to them. The report is commendable in the care given to citing the possible implications of one choice of AID policy direction over another with respect to PVO autonomy and dependability.

III. PROPOSED AREAS OF CLARIFICATION

A. PVO Project Performance Needs Improvement: GAO should be commended for the analytical framework developed to evaluate the impact of PVO projects and the attempt to quantify results. The findings regarding project implementation are also extremely useful. However, given the importance of the field evaluation to the overall findings in the report, further elaboration would be helpful on the methodology used to assess and rate these projects. The project descriptions in Appendix II do not contain adequate information to explain the conclusions reached.

B. FVA Information Dissemination Role: As indicated earlier, we fully support the GAO's recommendation that information relating to PVOs' implementation capabilities should be more systematically collected and disseminated to AID's decision-makers. The Agency's Policy Paper also proposes a strengthened role in this regard for FVA.

We would emphasize that in order to carry out this role effectively, field assessments need to be shared with FVA in order to complete an information dissemination system. On occasion, FVA has been unable to respond to requests for information due to lack of knowledge of Mission-funded PVO activities. The AID Policy Paper requires that information about PVO programs deriving from AID offices and Missions that manage PVO grants be provided systematically to the FVA Bureau for synthesis and dissemination.

C. Dual Approach to Funding: We fully concur with the GAO's conclusion that the current dual approach to funding PVO programs is consistent with and complementary to AID's development objectives. However, the discussion relating to AID's dual approach towards PVOs (p. 20) tends to be misleading in its sharp distinction between the purposes and procedures of

FVA centrally-funded as opposed to Mission-funded activities. It is inaccurate to suggest that all Mission-funded activities can be classified as using an intermediary approach. Generalization concerning centrally-funded activities would also be inappropriate. Both support development programs that use PVO experience. Both Mission and centrally funded programs contribute to PVO efforts designed to strengthen indigenous organizations and find innovative ways to help the poor. By the same token, it is correct that the degree of monitoring varies with both the type of grant and Mission procedures. Matching grants were specifically intended in their design to require less monitoring, reflecting both the increased PVO contribution to and ownership of programs, and the more stringent grant-making criteria.

D. AID Implementation of FVA Grant and Matching Grants Awarded to Inexperienced Recipients: In this discussion, GAO suggests the need for a neater line between relief experience and development experience, observing that one type of successful experience does not necessarily lead to another. While we fully recognize this distinction, we have found it more difficult than GAO suggests to make delineation with exactitude in this area. There also appears to be a misunderstanding of FVA's position on relief activities. A demonstrated track record in relief activities has been taken into consideration by the Agency in those instances where an applicant PVO's development experience has not been long-term. It has served to provide us with an indication of what could be expected in the program management performance of a PVO. We do agree, however, that clarification of the components of PVO's "development track record" warrants close attention and would welcome GAO's suggestions in this regard.

GAO concludes that MGs were awarded to at least three organizations which lacked demonstrated development track records. We believe it important to note that these grants were awarded in the earlier stages of FVA's matching grant program when criteria and standards for approval were still evolving. We would also emphasize that since the results of these grants are not, as yet, complete, it is premature to draw specific conclusions on accomplishments at this time.

The discussion relating to World Vision Relief Organization (WVRO) requires correction. Contrary to the inference in the GAO's draft, the Asia Bureau, after its own careful review, concurred with the grant award to WVRO. Further, GAO's observation that, in this case, AID favored institutional goals over matching grant objectives of expanding a proven program is also not accurate. At the time of the grant award we expected, and continue to expect, that the development results of the grant will be realized.

E. Advisory Committee on Voluntary Foreign Aid: The GAO recommendation that the Advisory Committee on Voluntary Foreign

Aid be abolished appears to be based upon information secured well over a year ago during the period of major transition of both the Committee membership and staff. The following information illustrates that the continued existence of the Committee is vital to achievement of a more effective relationship between AID and PVOs sought by the new AID Administration.

The AID Administrator has requested development of an AID/PVO policy paper which clarifies AID's policies with PVOs as one attempt to improve the AID/PVO relationship. Along with clarification of AID/PVO policy, the Administrator has also taken steps to ensure that the Advisory Committee is organized and staffed to more effectively carry out its duties. Six of the 15 Advisory Committee members have joined the Committee under the new Administration, including the Chairman. A precedent has also been established whereby the chairman and executive director of the ACVFA meet with the AID Administrator immediately following each Advisory Committee meeting to brief him and to present key recommendations.

The ACVFA's current agenda is solely determined by the Committee members. The work of the AID Committee staff has been further directed by the Chairman of the Advisory Committee through the creation of four working sub-committees. These committees will be involved with staff in all major planning and follow-through on Committee meetings and recommendations. Further the new Advisory Committee has determined its own priorities for the coming year; these include: (1) clarifying and focusing Committee duties and functions with regard to AID/PVO policies, and (2) serving as a public liaison mechanism to introduce several issues for discussion with AID of interest to PVOs and other foreign aid groups that are not addressed in the policy paper.

1. Interpretation of the AID/PVO Policy Statement to PVOs.

The Committee has served during the policy formulation, and will continue to serve, as a response mechanism for AID to communicate with PVOs on major policy concerns. The Advisory Committee has also created a sub-committee on the AID/PVO policy which will continue an oversight function into the implementation phases of the policy.

2. Serving as a Public Liaison Mechanism Between AID & PVOs

The Advisory Committee and its staff have begun serving as a public liaison mechanism to improve AID information and communications with the PVOs and other voluntary foreign aid interest groups. The Committee in this role provides full-time staff to work with PVOs on a variety of development issues and initiatives and to communicate with the PVOs, food aid groups and others to ensure that

the full foreign aid constituency is adequately identified, informed and assisted by AID. The development education program (Biden-Pell Amendment) is also implemented through this activity area.

Under the Foreign Assistance Authorization bill of 1981, Congress mandated that at least 12 percent, and if possible up to 16 percent, of AID's Development Assistance and Relief resources be allocated through PVOs. This "earmark" means that AID has a clear mandate to work more closely with the PVO community. The Advisory Committee's public liaison function is crucial not only to provide mutual understanding, but to help identify new resources to carry out the Congressional mandate.

In its work with the PVOs and wider foreign aid constituencies, the Committee has identified several issues for future discussion and support from AID. The Committee will play a catalytic role in facilitating understanding of AID policies and programs within the PVO community with a focus on new initiatives. It will at the same time ensure continued AID awareness of PVO concerns. Accomplishment of this comprises:

- a. Initiation of dialogue between PVOs and the corporations on areas of potential collaboration.
 - A PVO/Corporate Relations sub-committee has been established by the Committee.
 - The Committee initiated and conducted a survey of the registered PVOs regarding interest in the subject of PVO/Corporate collaboration in development in the Third World.
 - The Committee will conduct a survey of corporations and sponsor a series of seminars between PVOs and corporations on development in the Third World.
- b. Initiation of discussion of the issue of indigenous PVOs and AID's support to these organizations.
- c. Exploration of better relations between PVOs and universities in AID projects. Given the limited amount of dollars initially available for implementation of the development education program under the Biden-Pell Amendment and the growing interest in AID development education funds by universities,

the sub-committee on Development Education of the ACVFA will recommend that the development education guidelines for grants be revised to stipulate that universities interested in AID development education projects must submit projects which build in a relationship with PVOs.

3. General Comments about the Advisory Committee

The GAO report suggests that the existence of organizations like the American Council of Voluntary Agencies for Foreign Service, Inc. and Private Agencies in International Development (PAID), have effectively replaced the role of the Advisory Committee in promoting the PVO interests with AID. These coalitions are largely comprised of PVOs registered and funded by AID. Therefore, they can never fully assume the neutrality or function as "honest brokers" as does the Advisory Committee. The Advisory Committee has a membership which is more widely representative of private citizens, foreign aid interest groups, intermediaries and development groups, businesses and PVOs.

Further, in the past two months, the Advisory Committee Chairman and staff working with other FVA staff have helped improve the climate in which both the American Council of Voluntary Agencies for Foreign Service and PAID meet with the AID Administrator to discuss general AID policy directions and issues. The positive outcomes of these meetings suggest that the Advisory Committee will continue to play this role and that the Committee has gained significant influence with the AID Administrator and Assistant Administrators as an important spokesman for the PVO community. The AID Administrator has also signaled the elevated role and influence of the Advisory Committee in assigning to that body the responsibility to coordinate all PVO comments on the AID/PVO policy statement and incorporate those concerns in its recommendations on the policy to AID. At the March 25-26, ACVFA New York meeting, the PVOs also expressed their strong support for the ACVFA's continued role.

Because the new Advisory Committee has defined and focused its role as the mechanism for systematic PVO oversight of AID/PVO policy formulation and implementation and as the public liaison resource between AID and the private, voluntary foreign aid interest groups, the Advisory Committee on Voluntary Foreign Aid ought to continue as a resource to AID in carrying out the Congressional mandate and the Administration's policies.

F. "Dual Relationship Faces Crisis": GAO is correct in stating that some PVOs increasingly move toward a predominantly intermediary role. We are sensitive to GAO's concern with the implications of this for a PVO's private and independent character. We would note, however, that OPGs are almost always PVO initiated activities.

G. Financial Pressures--Dependency: As stated earlier in the GAO discussion, PVOs need to establish for themselves which role, i.e., intermediary or independent agent, will best enable them to maintain "dependability in action." Both AID and the PVOs need to be deliberate in their decision-making as to the program purpose and financing approaches that will define and influence the relationship.

GAO asserts that "few effective restrictions exist regarding how much money A.I.D. can pour into PVO projects so the resulting tendency is for some PVOs to move toward potentially accessible funds and to neglect the arduous task of constituent fund raising." While we feel PVOs must do all that they can to be independent of Government funds for their core operations, GAO's statement does not accurately reflect the realities of fund raising and does not indicate that it is increasingly more difficult for the private sector to raise support under current economic conditions.

We question GAO's characterization of PACT as a "useful", but "not essential" organization to its members "who could readily disband PACT if disputes with A.I.D. disrupted its functioning." We recommend that GAO review its findings and urge that it provide PACT with an opportunity to comment on this draft, as well.

GAO's final recommendation is that AID "should direct that PVOs match, on at least an equal basis, AID grants to PVOs." If it is GAO's intention to include OPG's among the types of grants that would require equal basis matching, our view is that this is an unrealistic expectation. The Policy Paper suggests that OPG's be cost-shared by the PVOs at 25% with an increasing PVO cash contribution on a time-phased basis. While an equal matching requirement can be justified in the case of most centrally-funded grants to PVOs, we believe that it is impractical at this time to go beyond what is proposed in the A.I.D. Policy Paper.

Finally, we recommend that GAO clarify that with regard to non-intermediary activities, phasing of the cost-sharing requirement be permitted over a three year period. This would appear to be more consistent with the team's earlier conclusions about PVOs with "worthy" programs, but which are unable to make the match, and is consistent with the cost-sharing requirement of the legislation which goes into effect on January 1, 1985.

H. Appendix II: As noted earlier, we are disappointed that the team's analyses of project results do not track back to the variables as defined in Chapter 2. More information relating to how key factors were assembled, and how the ranking formula was applied would be helpful.

I. Other Comments: Attachment 2 lists specific points of primarily an editorial nature which we feel require revision in the GAO report. Attachment 3 includes responses received to date from those Missions in which specific OPG-funded projects were evaluated by the GAO and referred to in the draft report.

We appreciate the opportunity the GAO has provided us to respond to this important report, and hope our comments and suggestions will assist in clarifying certain areas of the study. We would like to reiterate our high regard for the effort demonstrated by the GAO in addressing a subject that has considerable relevance to our PVO policy.

Attachments:

- (1) AID Proposed Policy Paper (3/3/82)
- (2) Editorial Changes to Draft GAO Study
- (3) Mission Comments re GAO Draft
- (4) Revised Chart of AID Funding for PVOs

cc: ES

GAO note: Page numbers referred to in AID comments may not correspond to those in the final report.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

March 19, 1982

Mr. Frank C. Conahan
Director
United States General
Accounting Office
International Division
Washington, D.C. 20548

Dear Mr. Frank:

As Chairman of the Advisory Committee on Voluntary Foreign Aid (ACVFA) I would like to respond to several of the recommendations made in the proposed report on private and voluntary agencies, "Independence and Impact of Voluntary Agencies: Concerns Shaping the Future of Partnership With AID."

In December hearings conducted by the Advisory Committee, it was noted that a greater resource of information is needed regarding PVO implementation skills and improvement of such information to Missions. The GAO recommendation that PVO implementation skills be fully utilized during project approval process and that AID Missions also consult with such knowledgeable PVO officials regarding country needs and development strategy is greatly welcomed by the PVO community. An increase of this information exchange between PVOs, within countries and the Missions and Washington will undoubtedly enhance the successful operation of projects and spur development of additional projects.

Regarding the GAO recommendation to abolish the Advisory Committee, great exception is taken on this point. Although the Committee no longer deals with registration authority, it remains for many PVOs the primary facilitator of information, comment and recommendation between the PVO and the Agency for International Development. For many PVOs, such as those who cannot maintain large staff or facilities to monitor legislative and regulatory matters impacting on their projects and programs, the ACVFA is the only effective means in which they can make their arguments known to AID through the quarterly hearing process. The Advisory Committee continues its arbitrator role with the review of the PVO/AID policy submitted by Administrator McPherson earlier this year. In fact, the Committee will receive testimony from over 15 PVOs on March 25 and 26 regarding the PVO/AID proposed policy and will submit comments and recommendations to the Administrator based on such PVO testimony.

In June the Advisory Committee will address the need for increased public awareness of foreign aid and programs carried out by PVOs. As result of all these hearings, recommendations are made in writing by the members of the Advisory Committee to the Administrator of AID.

Mr. Frank C. Conahan

- 2 -

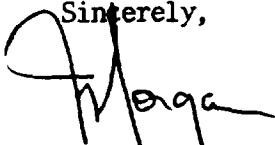
March 19, 1982

At all times, members of the Advisory Committee are available to the PVO community regarding modifications, improvements, and assistance in the relationship of the PVO to the Agency for International Development, as well as other governmental agencies and departments.

Although the Agency may appear to set the criteria for our hearings, they do not finalize the issue under discussion, the schedule of events, nor appearances for testimony of PVOs and others without prior approval of myself and members of the Advisory Committee. In addition, under my chairmanship the ACVFA will actively receive and meet with the PVO community, as well as the business community in regards to future development, collaborative efforts and enhancement of the foreign aid objectives of this administration.

I would trust that the General Accounting Office, before finalizing this proposal, would attend the New York hearings March 25 and 26 to realize the importance of the continuance of the ACVFA. I would also appreciate a chance to discuss further with GAO the role of the Advisory Committee under my chairmanship and this administration.

Sincerely,



E. MORGAN WILLIAMS
Chairman

EMW:mm

PVO COMMENTS

The draft report was sent to the 12 PVOs whose projects we assessed (see Appendix II). We received written comments from 9 PVOs and oral comments from Hermandad, Inc. Seventh-Day Adventist World Service indicated they had no comments. We did not receive comments from World Education, Inc.

Three PVOs--MAP International, Salvation Army World Service Office, and World Vision Relief Organization--were provided an opportunity to comment on the matching grant section of the draft report. The Salvation Army's comments are not reprinted because references to it were deleted in the draft report.

Page numbers in the following letters may not correspond to those in the final report.

AFRICAN
~~International~~ Medical & Research Foundation

833 United Nations Plaza · New York, N.Y. 10017 · (212)949-6421

9 March 1982

Ms. Karen Zuckerstein
International Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Ms. Zuckerstein:

Thank you for sending us the draft of your proposed report entitled Independence and Impact of Voluntary Agencies: Concerns Shaping the Future of Partnership with AID.

Before making some comments on the report, there is a technical error you might want to correct. AMREF received a \$500,000 supplemental grant to the original OPG so the total amount is approximately \$3.7 million (p.15). Our official name is African Medical & Research Foundation and this was incorrect only on the cover letter.

In general the report is well done and I am in agreement with all of the recommendations except the last one. Your emphasis on PVO implementation ability is long overdue and should be the primary factor in the awarding of grants. This was unfortunately not always the case with Matching Grants. Based on our experiences, the FVA central office seems to be less concerned about or aware of implementation skills and track record than the individual missions. Missions are in a much better position to make professional judgements and perhaps should have greater input in decisions regarding all types of grants.

Your report charges the FVA office with having the responsibility to let missions know about PVO implementation capabilities. I would contend that the process should be reversed - that missions should inform other missions. Given the FVA structure and the fact it is quite removed from the field, they are in a weaker position to make qualitative judgements.

The one recommendation which seems inconsistent with much of the report is the last, calling for PVO's to match AID grants on an equal basis. You point out that the trend is moving toward PVO's having the ability to be technically

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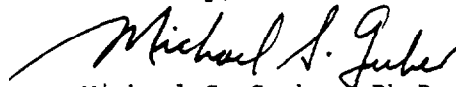
competent and participate in country level joint planning. PVO involvement will be in large projects and AMREF is a case in point. It would be very difficult for us to match \$9.9 million on a one-to-one basis. There should be PVO input but a more equitable arrangement than one-to-one needs to be worked out.

My last specific comment refers to the term "indigenous counterpart organizations" which appears on p.12. I am in total agreement that a collaborative relationship is positive, but the term might be changed to read "host country organizations, public and private." The latter is broader and would more accurately reflect the wide range of relationships, from collaborating with Ministries of Health to working with local PVO's.

In conclusion, I would like to state that AMREF is cognizant of the fact that a future AID-PVO partnership will be different. The partnership has to take place at the field level, in joint planning and implementation. One of our goals is to have AMREF programs become donor agencies programs. If we do something well enough, we would hope AID recognizes it and adopts it. We would hope that proven success leads to invitations to participate in the country level health planning process and to inputs in project design based on AMREF models. All of this has already occurred with AMREF and AID on two separate occasions in two different countries.

I hope these comments prove helpful. AMREF is pleased to have been included in your study.

Sincerely,



Michael S. Gerber, Ph.D
Executive Director

cc: Michael H. Alderman, M.D.
James R. Sheffield



The
Asia Foundation
550 KEARNY STREET
SAN FRANCISCO, CALIFORNIA 94108

March 22, 1982

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Mr. Frank C. Conahan
Director
United States General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

Thank you for giving us an opportunity to comment on the draft report on "Independence and Impact of Voluntary Agencies: Concerns Shaping the Future of Partnership with AID."

The inquiry on which the draft report was based included one of our projects, the Aceh Social Development project in Indonesia. We consider your evaluation of that project fair and accurate and have no particular comment to make. It was a pleasure to cooperate with your investigators.

We would, however, like to address your last general recommendation: "that the Administrator, AID direct that PVOs match, on at least an equal basis, AID grants to PVOs," and the discussion of that issue on pages 33-36 of the draft report. The assumption there is that PVOs should always be pursuing autonomous private charitable purposes which should only be reinforced by AID grants, without creating relationships of dependency or intermediation. That is true in many cases. But we would submit that there are other cases in which the U. S. foreign policy interest in furthering certain development results overseas is paramount. A PVO may have the capacity and the willingness to further such goals, even though they may not be the central concern of its constituents or the core of its privately-supported program.

To require PVOs to provide at least 100% matching funds in all cases would deprive the U. S. Government of effective channels to serve both American policy interests and foreign development needs. Consideration case-by-case would seem more appropriate than an inflexible rule.

Sincerely yours,

Robert S. Schwantes
Executive Vice President

CARE.

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Mr. Frank C. Conahan
 Director
 International Division
 U.S. General Accounting Office
 Washington, D.C. 20548

Dear Mr. Conahan:

This is in response to your request for a CARE review of the GAO's preliminary report entitled, "Dependency and Impact of Voluntary Agencies: Concerns Shaping The Future of Partnership With Aid."

CARE's major contention with the GAO's findings is that it is AID's responsibility to define and to determine the extent of the PVO's contribution to development. We believe the critical factor affecting PVO autonomy and flexibility is not financial dependency, but rather over-control of PVO activities by AID which currently increases the risk of PVOs becoming "hired hands." The following are CARE's responses to the specific recommendations of the GAO as found in Chapters II, III and IV.

Response to GAO Recommendations - Chapter II

CARE concurs that country and sector experience, access to technical skills, relations with indigenous organizations and the professionalism of headquarters staff are all factors which can effect the success, or failure of a PVO field project. These factors have certainly impacted on the success of CARE's projects. However, the GAO should consider that relatively new development-oriented PVOs have in recent times designed and implemented innovative projects from which older, more

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Mr. Frank C. Conahan

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March 30, 1982

experienced organizations, like CARE, have learned valuable lessons. One reason for the successes of these smaller, newer PVOs may have been that they employed staff with prior development experience. The staff resources that a given organization can bring to a planned project may be a primary factor for AID to consider in attempting to improve project implementation.

Responses to GAO Recommendations - Chapter III

- CARE is in favor of greater consultation on the part of AID missions in preparation for their Country Development Strategy Statements. We also encourage AID to have its mission staff carefully examine host-country plans and also increase consultations with indigenous PVOs. Furthermore, most AID missions should have sufficient in-country staff to be at least aware of the types of projects being carried out by U.S. PVOs in their respective countries, whether AID funded or not.
- CARE applauds the establishment of co-financing grants by the Asia Bureau and anxiously awaits the expansion of this type of funding by AID.
- Surely, it should be a priority responsibility of FVA in Washington to keep missions fully informed of projects receiving AID support.
- CARE does not agree that the Advisory Committee on Voluntary Foreign Aid should be abolished. We feel the Committee's arbitration role will need to be expanded in 1982. Committee members have recently expressed their willingness to examine individual PVO concerns and make their consideration of such cases known to AID.

Responses to GAO Recommendations - Chapter IV

- As the GAO points out there are some voluntary organizations not equipped either in terms of experience or resources to carry out certain project objectives. However, CARE does not believe that even the larger, more experienced PVOs can be realistically expected to commit themselves to a number of projects requiring that they match AID support dollar for dollar. It is simply unrealistic given the diminishing international

Mr. Frank C. Conahan

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March 30, 1982

grant-making record of U.S. corporate and private foundations, and given the new demands on these sources of funding as a result of government cutbacks to domestic aid programs.

- Though it is true a number of PVOs showed surprising results in raising contributions from the general public for relief work during the Kampuchean emergency, clearly the disastrous results of PVOs fund-raising efforts for victims of the East African emergency showed that the previous campaign did not signal the beginning of a trend.
- Moreover, the seemingly successful methods of some members of the voluntary community to build a public constituency and raise money for emergencies through telethon-type coverage of disasters seems distasteful and we believe does little to advance development education in the U.S. The cost of this type of fund-raising is often equal to real, i.e., actual project, contributions.
- It is most important to remember that building a public constituency for an emergency effort is much easier than continually building on one's constituency for a longer term.

Sincerely yours,



Philip Johnston, Ph.D.
Executive Director

SS/hb

CATHOLIC RELIEF SERVICES

United States Catholic Conference

OFFICE OF THE SPECIAL ASSISTANT
TO THE EXECUTIVE DIRECTORVIA EXPRESS MAIL

March 24, 1982

Mr. David Hand
U.S. General Accounting Office
Room 138
1400 Wilson Blvd.
Arlington, Va. 22209

SUBJECT: GAO Report on Independence Impact of Voluntary
Agencies

Dear Mr. Hand:

Further to our recent phone conversation, I would like at this time to submit some comments in response to the draft of a proposed report issued by the U.S. General Accounting Office, concerning the relationship between AID and the Private Voluntary Agency community.

While the expressed intent of the report is positive in that it seeks ways to strengthen the functional relationship between the PVO's and AID, I nevertheless feel that the report does bring out some very serious negative perceptions held by AID officials concerning the professional competence of the PVO's in the area of development. In describing the USAID Mission/PVO relationship on pages 20 and 21, there is reference to establishing PVO grants "as a definite part of the Mission's program." This statement is presented as a positive measure toward improving the PVO/AID relationship. On the contrary, however, I feel this misperception goes right to the heart of the continuing problem in attempting to establish a mutually acceptable partnership role. PVO programs are not a part of, or an extension of AID Mission programs. This is a position held not only by the PVO community, but also by the U.S. Congress as evidenced by the Report of the Senate Committee on Foreign Relationships, No. 97-83. In the Senate Report, it is clearly stated that "It is altogether crucial that as AID expands the level of support of the private voluntary sector, it resists the temptation to treat PVO's as agencies which exist solely to serve AID's purposes."

PVO projects are base-group oriented, designed and formulated to meet the articulated needs of communities striving to gain control of their own

.../...

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- 2 -

environment. The projects are formulated to take into consideration the capability and competence of the implementors as well as to insure that any material/equipment inputs are of an appropriate technology. On the fiscal end, community groups as well as the PVO's make a considerable investment into the projects in the form of labor, material, cash and time. Those projects which are presented to AID for additional fiscal support are only done so following an acceptance of cost-sharing by the affected community groups. To treat such projects as part of a Mission program is not only misleading but a disservice to the integrity and independence of the PVO's and to the people whom they seek to help realize their development potential.

In the further interest of strengthening the PVO/AID relationship, the GAO has recommended that the PVO's be brought into the country development strategy process as consultants with valuable input to USAID. The GAO report, however, again reveals the negative perception of PVO's held by certain AID Mission personnel. Statements attributed to USAID personnel as indicated in the GAO report dismiss the value of PVO inputs to the CDSS, viewing PVO's as self-serving, unable to contribute to a collaborative effort, and only capable of seizing such opportunities to press for more money for their own programs! Many PVO's, including Catholic Relief Services, have been in the field of development assistance as long as, if not longer than AID, and this characterization of unprofessionalism is again not only without basis, but continues to drive a wedge between the purported desired AID/PVO partnership. As long as USAID officials perceive PVO's in this light, we cannot accept the GAO recommendation that AID expands the role of the Mission in funding PVO projects through such modalities as co-financing.

The continued need for central funding mechanisms available to the PVO's through AID/Washington remains critical not only due to the negative perceptions of PVO's by some Mission personnel, but also to offset the disparate philosophies on development held by Mission personnel, widespread uneven interpretations of AID/Washington guidelines and policies, and finally, to insure that the mandate of AID regarding PVO utilization, as expressed by Congress, is carried out. There are, of course, many instances in which Mission funding has the potential to be beneficial to PVO's and it is not my intention to recommend an end to decentralization of funding authority by AID. I do, however, feel strongly that before such decentralization can effectively assist the PVO's, there must be more effective communication from AID/Washington with respect to the role of PVO's.

Finally, with respect to the GAO's recommended concept of dollar-for-dollar matches for any AID funded projects, I do not feel this is a realistic goal,

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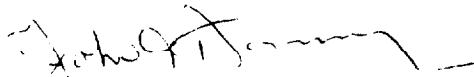
- 3 -

nor do I feel that anything less than this threatens the integrity and independence of the PVO's. A PVO's independence is only undermined when that PVO surrenders and compromises its own principles to present itself in a light that is acceptable to a potential funder. Speaking specifically for Catholic Relief Services, this Agency has always taken steps to insure there is a minimum of 25% non-U.S. Government funds available for any project submitted to AID for funding. While some projects have derived in excess of 50% of the budgeted funds from private sources, I do not feel that the development interest of the world's needy will be served through a regulation which requires a minimum of a 50% input from such private sources.

I trust these brief comments prove helpful to you in your deliberation and thank you for the opportunity to comment on your draft proposal. Should you desire, I would be most happy to make myself available for further indepth comments.

With kind personal regards, I am

Sincerely yours,



John A Donnelly
Deputy Special Assistant

JAD/akw



NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE UNITED STATES OF AMERICA

Church World Service

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March 16, 1982

Mr. Frank C. Conahan
United States General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

Thank you for giving me an opportunity to comment on your proposed report, "Independence and Impact of Voluntary Agencies: Concerns Shaping the Future of Partnership with AID."

The report is clearly important. I hasten to provide comments before it is finalized.

I particularly appreciated the attention given to the importance of independence, integrity and dependability on the part of PVOs. A principal strength of voluntary agencies in their dealings with local voluntary groups lies in their freedom of initiative and ability to react rapidly in project design and implementation to local needs. They can capitalize on felt needs and strengths. Your pointing up the potential danger of growing dependence on AID adds balance to your report.

Some portions of the report are particularly illuminating. Your identification of the fact that some PVOs function more as contractors of AID than as independent agencies with their own program objectives is cause for reflection within governmental and PVO communities. Both groups need to give more attention to your finding in the interest of human development. In individual cases, both AID and PVOs have responsibility for erosion of standards which bring strength to PVO programming.

With one of your recommendations, I feel strongly in opposition. I refer to your call for abolition of the Advisory Committee on Voluntary Foreign Aid.

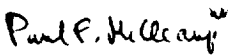
It may well be, as your report suggests, that some individual PVOs have more influence with AID than does the Advisory Committee. But for the greater number of PVOs that would not be true. A "neutral" citizens committee in the public interest can be and has been helpful in identifying and speaking to some of the very issues you have identified. And, the administration of AID has often been responsive to the Committee.

Mr. Frank C. Conahan
March 16, 1982
Page 2

In view of the need for reaching the grass roots, it is likely AID will continue to increase the amount of funds channeled for development to voluntary agencies. The more money AID channels to PVOs the greater is the need for the Advisory Committee. It is more attuned than most AID officials to the need for preserving and fostering the initiative and the autonomy of PVOs.

Thank you again for providing us with an opportunity to comment on your report.

Very sincerely yours,


Paul F. McCleary
Executive Director

PFMc:rh:cm



CODEL INC.

Coordination in Development

March 26, 1982

Mr. Frank C. Conahan
 Director
 United States General Accounting Office
 Washington, D.C. 20548

Dear Mr. Conahan:

Reference your letter dated March 3, 1982 and the enclosed copy of the proposed report on Private and Voluntary Agencies entitled "Independence and Impact of Voluntary Agencies: Concerns Shaping the Future of Partnership with AID", you have requested a few comments.

This report is one of the most thoughtful, fair and balanced evaluative reports I have seen by any of the auditing arms of the US Government in reference to the work of Private and Voluntary Organizations. This approach in itself will add breadth and depth to the government's relationship to the PVO community.

The report correctly points to important policy issues which need to be resolved for the AID-PVO relationship to be improved. It is particularly important for the PVO development capability to be seen in terms of the long time private supported activities many of these agencies represent. This aspect of PVOs seems to be forgotten in present AID policy considerations along with the humanitarian, partnership, and 'People to People' qualities of most PVO programs. When recognized, PVO qualities and program objectives offer numerous coincidences of objectives in development work for the AID-PVO partnership in which both entities can find full satisfaction and independence in their joint endeavors. It is possible for a privately funded PVO to look upon AID resources as an extension of private supported activities. Similarly, it is possible for AID to look upon privately funded PVOs as an extension of government resources. In this way the PVO role can be perceived as both intermediary and independent when AID chooses to do so.

The emphasis on PVOs contributing private funds or otherwise matching 25 percent or more of AID grants with private funds omits the significant contributions available in other terms. For example, a CODEL OPG in Village Public Health in Tanzania included the contributed work of a woman doctor as assigned by a member organization. The value by AID standard is said to be \$50,000 salary per annum plus benefits and logistical support cause. The cash equivalent or a portion thereof would be improbable for CODEL to arrange especially when such needed personnel are available from a member organization.

Mr. Frank C. Conahan
March 26, 1982
Page 2

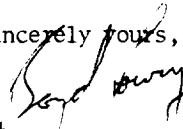
The Advisory Committee on Voluntary Foreign Aid is a valuable resource for PVOs and AID to continue. The Committee has had considerable difficulty due to four changes of staff within a two year period. The incumbent Dr. Toye Brown Byrd appears to be committed and enjoys the full support of the AID Administrator in her assignment. Thus the value of the Committee is enhanced by consistent and very capable staff work which Dr. Byrd leads. It is anticipated the Advisory Committee will be proven even more valuable to expand on the PVO community and AID mutual understandings and essential dialogue.

Reference the project description in appendix II on page 39 entitled, "Bui Food Marketing Cooperative Extension Project " in the Cameroon. There is reference to "the problem arose because the Mill Hill Father who was project manager and who had the necessary expertise was transferred to another post." There is a misconception in this regard. Fr. Kolkman had already stepped back into an advisory capacity when the project was visited in 1980 by the CODEL Coordinator for Africa. The cooperative was then in the hands of the women. The more important factors in the loss of leadership referred was the involvement of the head woman for the project in national politics. It was her leadership that was not replaced. The project will be visited again by the CODEL Coordinator for Africa in the near future. Your report accurately notes the women's cooperative is duplicated in other villages and that " there very existence amply demonstrates the relevance of the projects concept." (Page 40)*

In reference to future evaluations which apply to consortiums particularly it is very desirable that representatives of the consortium be part of the evaluation. There is a large sense in which relationships are what consortia have to offer to the development process. Therefore it is important that when evaluations are done that representatives of the PVOs involved (or in this case consortium) should be available whenever possible to facilitate the evaluation function which is also important.

Thank you for this opportunity to respond to the report which is one of the best of its type on the PVO community which I have seen. We look forward to receiving a copy of the final report when it is available.

Sincerely yours,


Boyd Lowry
Executive Director

BL:as

*See discussion, p. 51.



March 30, 1982

Mr. Frank C. Conahan
Director
United States General Accounting Office
Washington, D.C. 20548

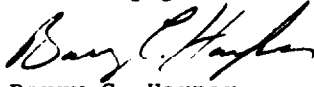
Dear Mr. Conahan,

We have read your report, "Independence and Impact of Voluntary Agencies: Concerns Shaping the Future of Partnership with AID."

In general terms, we agree with your recommendations to the AID administrator. However, we realize the "complete picture" of the other PVO's examined in this manner may not be fully acknowledged in this paper. It is because of this that either the Advisory Committee or some other forum should be utilized to encourage better understanding.

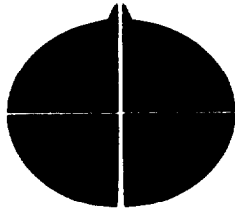
If there are no material changes to your recommendations, following a hearing of the other PVO's evaluated in your paper, we recommend their incorporation in AID policy.

Sincerely yours,


Barry C. Harper
Executive Director

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LUTHERAN WORLD RELIEF

March 12, 1982

Mr. Frank C. Conahan, Director
International Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

I am writing to acknowledge our receipt and review of your letter of March 3 and the enclosed draft of a proposed report entitled, "Independence and Impact of Voluntary Agencies."

While there might be a number of comments we could offer with respect to the recommendations and additional information which might underline a couple of positive accomplishments not mentioned with respect to the Lutheran World Relief-supported program in Honduras, we regard none of these comments as being essential for inclusion or comment on your report at this time.

We believe that you have identified a number of important issue areas and that it is wholesome that they are being raised.

Sincerely yours,

J. Robert Busche

J. Robert Busche
Assistant Executive Director

JRB:jf

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MAP INTERNATIONAL

March 19, 1982

Mr. Frank C. Conahan
 Director, International Division
 U.S. General Accounting Office
 Washington, D.C. 20548

P.O. Box 50, Wheaton, IL 60187
 Offices 327 Gundersen, Carol Stream, IL
 Cable MAPINC
 Phone (312) 653-6010

Dear Mr. Conahan:

I would like to comment on the excerpts from the proposed report on private and voluntary agencies titled "Independence and Impact of Voluntary Agencies: Concerns Shaping the Future of Partnership with AID" which accompanied your letter of 3 March 1982.

You cited MAP International as one of the agencies awarded a matching grant that lacked a demonstrated track record or a proven record of accomplishment in the development assistance field. I think it should be noted that MAP's matching grant was approved in August 1979. The criteria cited in your report was shared with the PVO's in June 11, 1980.

MAP's perception of the purpose of the matching grant program at the time the grant was awarded however was not too different from that cited in your report. Our understanding of the intent of the grant was (a) to expand the overseas development activities of the PVO rather than continue to expand its institutional development capability, (b) increase the private contributions that would be channeled into development assistance activities, and (c) enhance the PVO's ability to carry out its own program, including a self-monitoring capability.

The element of having attained a proven track record was not a major factor at the time MAP's grant was approved, nor should it have been for a new development agency. If this was a prerequisite that should have been met before MAP's matching grant was awarded, then it was unrealistic. That MAP should have developed its institutional capability to carry out a development assistance program and achieved a proven track record within a three year time span was highly unlikely under the best of conditions. Perhaps a better choice to follow the development program grant would have been an institutional development type of grant instead of the matching grant. I am not in a position to discern the merits of one type of grant over another since I am not familiar with the institutional type of grant. MAP's perception that a proven track record was not a high priority factor with AID is reflected in the matching grant score sheet which accompanied the June 11, 1980 letter from Tom Fox (see enclosed). It gives a proven track record a maximum of 15 points (item 3) out of a possible 100 points total for all of the matching grant criteria.

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 March 19, 1982
 Mr. Frank Conahan

Perhaps AID moved too quickly to discontinue its development program grants if a proven track record in development assistance is an essential prerequisite for a matching grant. Three years is insufficient time for a PVO to build its institutional development capability without having had some prior experience. If this criteria is to be maintained, a clearer definition of what constitutes a satisfactory development track record is clearly needed, one that will enable AID, PVO's and others engaged in development to effectively communicate with one another.

Another statement in the report reads as follows: "it was not possible to assess whether the MAP development approach would work, because MAP's development experience at that time, was in its 'early stages'." MAP's approach is to apply the lessons learned under the DPG, that is to assist indigenous PVO's in the development of their own capability to design, implement and evaluate development projects that will result in a higher ratio of success. A third party evaluation team is currently visiting the MAP overseas program countries. Consequently, a partial answer to that query will be forthcoming as soon as their findings are completed and their report is made available.

Finally, you state, "The PVO is having implementation problems two years into its three-year matching grant. For example, it is not active in all the countries in which it planned to be because it has been unable to recruit qualified staff and, thus, funding has been reduced." The real problem has not been finding qualified personnel, but rather MAP has been unable to increase its fund raising capabilities to meet "the match" at the level originally budgeted. While MAP's ability to raise funds for "development projects" has been good, we have had difficulty developing a satisfactory strategy for raising funds to support our program staff and their related costs. Looking back, if funding for MAP's development program could have been phased as follows, it would have given us more time to develop this capability.

		<u>1st grant</u> <u>period</u>	<u>2nd grant</u> <u>period</u>	<u>3rd grant</u> <u>period</u>	<u>4th grant</u> <u>period</u>
Phase I - PVOs build institutional develop- ment capability	AID -	100%	50%	0%	0%
	MAP -	0%	50%	100%	100%
Phase II - PVS expand overseas program	AID -		100%	50%	0%
	MAP -		0%	50%	100%
Phase III - continue PVOs program expansion in new or existing areas	AID -			50%	50%
	MAP -			50%	50%

The significant features of such a phased development program are:

1. AID's funding would enable PVOs to develop new program capabilities i.e. develop their institutional capability in the 1st phase, expand their development activities overseas in the 2nd phase, etc. Basically this denotes new program funding.

Page Three
March 19, 1982
Mr. Frank Conahan

2. The PVOs would concentrate on developing the funding strategy needed to increase their support base for each new program. For example, in Phase I (the DPG phase), MAP would have supported 50% of the cost in the 2nd grant period while AID shifted most of its funding to Phase II. In the 3rd grant period, MAP would assume full responsibility for Phase I, 50% of the cost for Phase II and 50% for any new programs along with AID. In the 4th period and beyond, MAP would fund 100% of all its development programs except for new programs that AID would decide to participate in as a partner agency.

I trust these comments will help you understand MAP's views of the current matching grant. We are indeed grateful for the opportunities it has provided to enable other PVOs to improve, expand and channel their development program efforts and resources to effectively meet the needs of the world's poor and underprivileged. We therefore appreciate and support your efforts to find ways to make it more productive.

Yours sincerely,



William C. Senn
Director, International Development

WCS:slj
enclosure



Washington Liaison Office
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 Suite 916
 Washington, D.C. 20037
 (202) 822-8426

March 19, 1982

Mr. Frank C. Conahan
 Director, International Division
 U. S. General Accounting Office
 Washington, D. C. 20548

Dear Mr. Conahan:

Thank you for providing us the opportunity to review and comment on your report, "Independence and Impact of Voluntary Agencies: Concerns Shaping the Future of Partnership with AID."

Overall, we found the report to be very well prepared, providing a balanced analysis of the AID/PVO relationship. The recommendations, while for the most part not startling, are on target and could help to create a truer partnership between AID and PVO's. Four recommendations, in particular, bear further comment.

1. Information on PVO implementation skills be fully utilized during the project approval process.

The observation that design flaws occur fairly evenly in projects which tend to succeed and those that tend not to succeed is most interesting, though not surprising. We strongly support a greater emphasis on PVO's previous implementation record (including the PVO's ability to revise plans where the inevitable design flaws are realized) in the project review process. FVA could provide valuable information to Missions in this regard. As a corollary, we would support the establishment of "specific criteria for determining the PVO's track record and limit matching funds to PVO's with demonstrated development programs."

2. AID Mission to consult with knowledgeable PVO officials in country in preparation of country development strategy.

The tendency of PVO's to be involved at a more grass roots level, to relate to host country institutions from an independent position, and to respond to people problems more than political constraints, gives them a privileged perspective on development in the country. Without a more systematic consultation process, this valuable information can be lost with the result that country development strategies may suffer from an overly myopic or one-sided approach. Obviously, the particular interests of a PVO have to be considered with

Helping people help themselves



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Mr. Frank C. Conahan
Director, International Division
U. S. General Accounting Office

Page two

respect to biased opinion, but Mission staff are certainly capable of doing that. We strongly support this recommendation.

3. Abolish the Advisory Committee on Voluntary Foreign Aid.

While it appears that the historical roles of the Advisory Committee have been assumed by AID and other entities, this does not necessarily mean that there is not an important and valuable role to be played by an official Advisory Committee. What is called for, rather than abolition, is a rethinking of the kinds of contributions such a committee can make to shaping and supporting an effective AID/PVO partnership. In much the same manner that AID Missions should formally consult with PVO's at the country level, a formal consultative relationship needs to exist at the global level.

We do not support the abolition of the Advisory Committee, but do recommend a review of its role in order to make it effective.

4. PVO's match, on at least an equal basis, AID grants to PVO's.

Despite your excellent analysis of the conflict between PVO's independence and dependability on the one hand and AID dependency on the other, we cannot support an across-the-board requirement for a 50% match. While theoretically sound, it could in the long run, be counter productive. Some of the most creative, innovative and successful projects are those implemented by small organizations which do not have the requisite funds to meet such a requirement.

A legislative mandate has just been enacted calling for a 20% private match. Our Agency has publically supported this regulation since it was first voiced and we feel it should be allowed a reasonable period of gestation to be followed by a thorough evaluation. We strongly support the legislative wording and intent which encourages innovativeness and flexibility in pulling together the 20% match, i.e., foreign corporate groups and individuals, United Nations and affiliated agencies, the European Economic Community (EEC) and others. We oppose the more limited AID interpretation which would only accept funds from the U. S. private sector as a valid match.

We do not support the recommendation that PVO's be required to match AID grants on an equal basis.

Mr. Frank C. Conahan
Director, International Division
U. S. General Accounting Office

Page three

In conclusion, I would like to commend the GAO on a well-thought-out and thought-provoking report. You have focused on the key elements in the PVO/AID relationship and, by and large, made recommendations which, if adopted, will create a more effective partnership.

Thank you again for the opportunity to comment. We look forward to receiving the final report.

Sincerely,



David L. Guyer
President

DLG:hmc



March 19, 1982

Mr. Frank C. Conohan
Director
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

WVRO disagrees with the conclusions of the GAO proposed report titled "Independence and Impact of Voluntary Agencies: etc. #471976". Specifically, we take issue with the Asia Bureau view, supported by the GAO Report, that a stricter interpretation of the Grant Program provisions should be adhered to, which in effect, would limit matching grants to those agencies with "proven development programs." We believe this to be a most deleterious and parochial approach to a program that was designed to improve the effectiveness and expand the capabilities of the PVO community in development.

Furthermore, the question of standards to be used in determining a "demonstrated track record in development" and who is to make that judgment is left unanswered. WVRO had been involved in caring for thousands of children (currently 340,000 in over 80 countries) in numerous institutional and community settings for many years, long before the Matching Grant Program was initiated. Many of these projects had development components, and, because of this trend, WVRO entered into a DPG in 1975 in order to formalize our development activities to upgrade the training of our program staff. Our Indonesia Field Office, for example, which governs our childcare/development program in that country, was established in 1962. Is GAO asserting that another agency perhaps involved in a macro-level development project in a country like Indonesia for 5 years would be more effective in village level development activities than an agency which has been involved in village level childcare programs in that same country for over 20 years? By whose standards? We believe our track record of grass roots, childcare programs for over 30 years warranted the granting of this matching grant by FVA. Even a cursory investigation of this grant would

Mr. Frank C. Conohan
March 19, 1982
Page 2

reveal that WVRO did not need USAID grant monies to "solidify its commitment to development"; and that the grant funds received were used to expand a program that was already in existence

As a minimum, any attempt to establish standards for determining what agencies should be eligible for matching grants ought to be determined mutually by USAID and the PVO community.

Sincerely,


ROBERT L. AINSWORTH
Director

RLA/dp