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A.I.D. Policy Paper

*A.I.D. Partnership in International
Development with Private and Voluntary
Organizations*

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INTRODUCTION	

United States private and voluntary organizations (PVOs) have been active in humanitarian work overseas for more than a century. In the years since World War II, however, their activities- on a variety of continents and in a range of program areas- have shown a marked upswing. In the past twenty years in particular, PVOs have moved beyond relief, disaster assistance and distribution of food and have directed their energies more intensively toward alleviating the causes of poverty and improving the quality of human life in the Third World- i.e., toward development.

Since the end of World War II, the United States Government has facilitated various aspects of PVO work in an expanding way. Selective encouragement of PVO relief and refugee activities in post-war Europe has grown into multifaceted support of PVO activity. In fiscal year 1983, the AID-administered funding for PVOs will be drawn from a wide range of accounts: each of the AID functional accounts, the International Disaster Assistance Account, the Sahel Development Program, American Schools and Hospitals Abroad, the Economic Support Fund (ESF), excess property, Food for Peace and the State Department's Refugee and Migration account. Total AID-administered resources available to the PVOs for overseas programs in FY 1983 is expected to exceed \$600 million. During the previous 15-year period funding of such activities rose from \$254 million in 1964 to \$448 million in 1979. This significant expansion in government funding of the international programs of PVOs was accompanied by, an even larger increase in privately generated resources. Figures compiled by the AID Advisory Committee on Voluntary Foreign Aid (ACVFA) indicate that for the agencies registered with AID- and there are many which are not- private outlays and commitments for development in 1979 totaled \$1.1 billion, an increase from \$427 million 15 years earlier.

The steadily growing cooperation with the private and voluntary agencies reflects the U.S. Government's belief that the programs of those agencies embody the traditional humanitarian ideals of the American people and support a principal objective of the foreign policy of the United States--"the encouragement and sustained support of the people of developing countries in their efforts to acquire the knowledge and resources essential to development and to build the economic, political and social institutions which will improve the quality of their lives." (Section 101, Foreign Assistance Act "FAA.")

The expanding roles and scale of PVO involvement in development processes are reflected in the gestation governing United States development cooperation policy. After a series of important individual statutory provisions in the 1950s and 1960s, the U.S. Congress since 1973 has spoken with increased regularity to PVO issues. In 1978, Congress highlighted the national interest in supplementing the financial resources of PVOs and cooperatives in order to "expand their overseas development efforts without compromising their private and independent nature." In responding to these Congressional interests, AID initiated several forms of PVO support which provided for expansion of PVO development efforts and maintenance of PVO independence from reliance on United States Government financing through increased cost-sharing relationships. In 1981, Congress for the first time specified a range of funding "based on historical trend of steadily increasing scale of PVO use of AID funds," by directing AID to make available at least twelve and up to sixteen percent of AID's development and disaster assistance funding to PVOs.

AID itself has developed a variety of forms of PVOs' support. These have evolved from year to year in response to the needs of PVOs and the interests of AID. However, it is widely recognized by PVOs, the U.S. Congress, and AID itself that the partnership as it has evolved has not brought with it clear AID policy governing its relations with PVOs, nor coherent and consistent ways in which AID, in its multiplicity of aspects, deals with PVOs in all their heterogeneity. Given the commitment of this Administration to facilitate the

work of the private sector, the time is opportune for stating in clear terms both AID's policies as they relate to the partnership with PVOs; and the institutional mechanisms through which that partnership will be made more effective.

PVOs are a heterogeneous universe- diverse in their expertise, size, bases of support and modes of operation. PVOs bring unique skills to the job of Third World development.

(a) By virtue of their links with private institutions in the Third World, PVOs can be a means for effectively engaging the rural and urban poor in their nation's development.

(b) By virtue of their support within the United States, PVOs can be a means for mobilizing among the general public not only a broader awareness of the pressing needs of developing Third World countries, but also for generating private resources for international development.

(c) As a heterogeneous group of agencies reflecting the diverse nature of American society, PVOs active in developing countries embody the basic American values of pluralism, voluntary action and concern for others.

(d) At a time when AID's own resources, both human and financial, are severely limited, PVOs can extend AID's own effectiveness, particularly with respect to matters such as community level involvement.

However, public and private objectives and programmatic interests frequently do not coincide. AID is accountable to Congress and the U. S. public; PVOs must account to their contributors.

AID, by its very nature as a government development agency, operates very differently from private and voluntary development agencies. AID, as the official arm of the U.S. Government responsible for economic development support to Third World countries, is an instrument of our total foreign policy. As a result, in determining where it will concentrate its resources for development, it must factor in a wide range of considerations. Our government's judgment about the national interest is, obviously, one of these considerations as are strategic, geopolitical and economic factors. At the same time, AID and PVOs share the fundamental objectives of:

- helping the people of the Third World to develop their skills and abilities to solve their own problems, and
- developing democratic institutions in the broadest sense which help people to achieve control over their own lives and, in the end, to take responsibility for their own development.

Experience demonstrates that it is only at the point when people are willing and able to assume the responsibility for their own future that development becomes self-sustaining. As the magnitude of Third World problems has grown- so have the ramifications of these problems for the rest of the world. It is important at this juncture that public and private development agencies work together to pursue the common goal of achieving sustained Third World development. Nevertheless, while acknowledging and valuing those areas where AID and PVO interests do overlap and where AID and PVOs can and do work together, it is important to underline that the motivations, interests and responsibilities of these development agencies are not and should not be identical. It is AID policy to minimize these differences but they still remain. Both parties in the relationship recognize that it is to be expected that each will pursue goals related to their particular concerns and objectives while working together on

common priorities.

AID wishes to keep this relationship viable and productive. AID shares with PVOs the belief that in a viable working relationship, mutual trust and genuine appreciation of the unique and complementary character of the partners provide the basis for fruitful and effective cooperation between the governmental and non-profit sectors needed to carry out the urgent task of alleviating poverty and fostering development in the Third World.

Broadly speaking, AID's partnership with PVOs has two major dimensions. AID deals with PVOs both as intermediaries in conducting AID's programs and as independent entities in their own right. AID has over the years designed- and in the current policy review reaffirms- programs which support PVOs in both capacities. AID considers support to PVOs in both capacities to be consistent with the dual interests of Congress to facilitate the activities of PVOs which are consonant with AID's mandate of meeting the basic human needs of the poor majority in developing countries and to protect and preserve the independence and voluntary nature of such organizations.

While some of the policies, programs and mechanisms dealt with in this paper are departures from past practice, that should not obscure the fact that the operative policy framework remains one in which AID views PVOs as its development partners, both as intermediaries for AID programs and as independent development agencies in their own right.

POLICY FRAMEWORK

The policy framework within which the AID-PVO partnership operates is summarized below. Programmatic and administrative mechanisms governing the partnership as elaborated in the attached operational guidelines are derived from this policy framework. The broad objectives of this policy are:

- to increase the economic development impact of PVO programs through increased program integration and focusing resources on field programs;
- to discourage dependence on U.S. Government financing of the international development programs of PVOs;
- to reduce the administrative cost to both AID and PVOs of AID funded PVO programs by simplifying management and administrative procedures to the maximum extent possible and creating a central focal point for PVO relationships with AID within the Food for Peace and Voluntary Assistance Bureau (FVA); and
- to insure that AID funds are used in ways that reflect AID's legislative mandate, yet do so in a way that calls into full play such unique capabilities of voluntary agencies as their knowledge of the local situation and their programming and managerial flexibility.

This Policy Paper incorporates the following principles and/or requirements for AID offices and Missions to ensure effective implementation of the above policy objectives:

1. **Increased emphasis needs to be placed on country program integration** in order to maximize the effectiveness of scarce development resources in the Third World. All AID funded programs operating in a country including those of the PVOs should address that country's development priorities and requirements whether the program is centrally funded or Mission funded. Therefore, AID should facilitate PVO participation in and contribution to AID's country programming process. Not only will AID's final product (i.e., the Country Development Strategy Statement [CDSS]) often profit from their advice, it will

also provide PVOs a sense of participation and an early feel for the principal country programming parameters (e.g., sectoral, functional, and regional emphases) which will serve to guide their participation in any subsequent AID funded activities.

While Missions should do a better job of bringing PVOs resident in that country into the country programming process, the particular mode of participation should be worked out at the field level between Missions and PVOs. At the same time, the Bureau for Program and Policy Coordination (PPQ and FVA will more actively seek to ensure that PVO concerns and activities are being addressed in the CDSS and Annual Budget Submission (ABS) reviews. This will provide the necessary checkpoint for determining that conscious decisions are being made by the Agency regarding PVO participation. By the same token, the burden of ensuring that PVOs are brought into such planning discussions should not be left solely to the Mission the responsibility for being informed and in contact with Missions is shared by the PVOs resident in that country.

Focusing AID funded PVO programs on country specific development needs and priorities does not compromise a PVO's independence to program its activities in that country. It does not mean that, in a particular country, an AID supported PVO must always work in the same sectors and the same geographic regions that AID does in its government-to-government program. What it does mean is that PVO programs funded by AID should be viewed as integral parts of a consistent and coordinated utilization of resources to address development priorities in each country where they operate.

2. Voluntary agencies should be given ample scope for independence in the actual design of project activities. It is expected there will be significant interchange between voluntary agency and USAID personnel throughout the program planning process. However, if Mission staff is comfortable with the basic directions of new activities, PVOs should be free to negotiate working arrangements with host country counterparts, private or public. The Mission's offices may often be helpful in such negotiations.

3. AID must reserve the right to reject, approve, or seek modifications in the final package which the PVOs ask us to approve. AID is under no obligation to fund activities which it believes are inconsistent with its objectives.

4. Funding for PVO programs should be viewed as complementary to other AID assistance even though present practice will continue under which PVO programs compete with all other AID programs for budget priority. The increased participation of PVOs in the country development strategy process and the strengthened FVA and PPC role in the Agency's CDSS and ABS review processes will ensure responsiveness to the 12 percent Congressional earmark and 16 percent funding target.

5. The legislated 20 percent non-USG funding requirement will be applied in determining whether a U.S. PVO qualifies for grants available under the PVO grant program. An organization should obtain at least 20 percent of its total annual financial resources for its international programs from non-USG sources, with a preference given for private funding, in order to qualify for matching grants, operational program grants and institution building support. The purpose of the test is threefold: (1) to discourage dependence on USG financing of PVO's international programs and thereby ensure that PVOs maintain their independence of action; (2) to ensure that PVOs continue to leverage additional private financial resources for development; and (3) to build an awareness of Third World development issues and programs among the American public. AID legislation establishes January 1, 1985 as the effective date by which this requirement is to be applied. In the intervening period, the Agency encourages and will monitor a progressive phase-in towards meeting this target on the part

of current PVO grantees.

6. AID links the concepts of cost-sharing and program independence in its grant relationships with PVOs. AID gives PVOs which cost-share greater independence to program funds. Foreign aid legislation envisions a dual role for PVOs as independent development agents with their own programs of responding to the poor and also as intermediaries for AID. Even when serving in an intermediary role, the PVO's relationship with AID should not result in a loss of the PVO's private and independent character since, without independence, the fundamental values associated with AID's working with PVOs are called into question. Congress direction to AID to introduce non-USG cash funding requirements as a determinant of PVO grant eligibility is designed to address this potential problem.

Organizations which do not meet this privateness test will continue to be eligible for "intermediary" forms of support to implement AID programs but will no longer be eligible for matching grants, OPGs and institution building support, which support PVO programs and give greater programming flexibility to the PVO in recognition of its sharing of the program's expenses.

7. Emphasis should be placed on utilization of existing U.S. PVO capacity to undertake field programs. AID has over the years helped a number of U.S. PVOs to develop their capacity to plan and carry-out international development activities. Because that capacity now exists in a substantial number of PVOs with which AID works, building U.S. PVO institutional capacity can be done more selectively. It is recognized that there will be circumstances when institutional support is appropriate, particularly on a cost-shared basis. There may be instances, for example, when too close an adherence to operational guidelines can result in discouraging innovative programming possibilities with PVOs. Therefore, while not encouraging exceptions, a degree of programming flexibility should be preserved in this regard. At the same time, AID must continue to emphasize its overall priority for field projects and programs.

8. The diversity of the PVO community should be taken into account by AID. AID has traditionally spoken of PVOs as a homogeneous group. However, as a practical matter, there are a variety of distinct subgroups within the PVO "universe." These include traditional voluntary organizations (volags), cooperatives and credit unions, labor institutes, family planning organizations, and other non-profit intermediaries. New policy development, including eligibility for the PVO grant program, will explicitly take- this diversity into account.

9. The PVO administrative relationship with AID will be simplified. The number of grant mechanisms will be reduced to the extent feasible; the management and administrative requirements of the PVO field support program will be standardized wherever possible; policy and program implementation will be monitored for consistent application; and a central point of contact in AID for PVO information coordination and dissemination will be established in the FVA Bureau.

Attachment: Operational Guidelines

Operational Guidelines

I. Categories of PVOs and Other Private Non-Profit Organizations

The heterogeneity of the private, non-profit community, as reflected in the 156 PVC)s registered with the Agency for International Development (AID), is clearly a strength reflecting diverse development program capabilities. Tapping the resources of this diverse community requires recognition of the historical, structural and financial differences of these organizations. Development of a policy-effective management system and coherent decision-making structure which facilitates linkages with these organizations offers both a challenge and an opportunity.

Unless disaggregated into sub-groupings, the heterogeneity of the PVO community can serve as an impediment to the formulation of productive relationships with the community and to the effective use by PVOs of AID funds. By the same token, working in partnership with diverse PVC)s in ways which respect their heterogeneity can enhance AID's own effectiveness.

Acknowledging the diversity of the private nonprofit development community, AID has disaggregated organizations within the PVC) rubric into a number of more homogeneous sub-groups within the following broad categories: cooperatives and credit unions, labor institutes, family planning groups, other non-profit intermediaries and traditional voluntary organizations (volags). Division of this universe into these functionally similar sub-categories should facilitate coherent decision-making and strengthen management effectiveness in implementing AID's PVO policy. The functional sub-categories are:

A. Cooperatives and Credit Unions

U.S. cooperatives were formed to provide business services and outreach in cooperative development for their U.S. membership. Their international programs were initiated largely as a result of AID urging, AID financing and Congressional mandate. These organizations support the goals of sections 102, 111, 123, and 601 of the Foreign Assistance Act of 1961, as amended ("FAA"), to increase "the participation of rural and urban poor people in their countries' development" (FAA, Sec. 111). These organizations are not charitable or fund-raising groups. They rely almost exclusively on AID institutional support grants. Policy Determination-73 (PD-73) governs the Agency's relationship with the U.S. cooperative development organizational PD-73 is under review and may be revised and reissued. In the near future an A.I.D. Policy Paper on indigenous cooperative development organizations will be issued.

B. AFL-CIO Labor Institutes

The Labor Institutes support FAA Section 102 and 601 goals of strengthening free labor unions and increasing participation of workers in the economic and social development processes of their respective countries. Like cooperatives, the Institutes established their international programs largely as a result of AID initiatives and Congressional mandate. They are trade associations, not charitable or fund-raising groups, relying almost exclusively on AID institutional support grants to operate their international programs. Policy Determination-52 (PD-52) governs the Agency's relationship with the Labor Institutes.

C. Family Planning Organizations

U.S. family planning organizations have expanded family planning service accessibility around the world, a major objective of U.S. foreign aid policy for more than decade and a half (FAA Section 104). Like the cooperatives and labor institutes, U.S. family planning organizations have entered international assistance activities largely as a result of AID initiatives and funding and Congressional mandate. They do not attract large amounts of private funding, relying heavily on AID institutional support grants to operate their

international programs. The A.I.D. Policy Paper on Population Assistance (September 1982) governs the Agency's relationship with family planning organizations.

D. Nonprofit Consulting Firms

Nonprofit consulting firms have neither volunteers nor significant financial support from U.S. private sources and operate essentially like consulting firms in their relationship to donors/clients. They provide, among other services, management and planning assistance to U.S. and indigenous PVOs. As discussed elsewhere in this statement, AID funding of their services, if continued, should normally be provided under a cooperative agreement or an openly competed contract rather than a grant.

E. Traditional Voluntary Organizations (Volags)

These groups have historically been involved in international programs. Many of these organizations were established at the close of World War II to undertake European relief and rehabilitation. They rely significantly on U.S. private grants and contributions for their revenue and draw on volunteers to implement their programs. These organizations are most likely to qualify for the PVO grant program and most closely represent the kind of organization that Congress in Section 123 of the FAA, has urged AID to support in development work.

Differences are to be found within each of these groups. For example, if the extent of voluntary support were made the critical factor, a different grouping would emerge. These guidelines focus on the functional role of the organization, since the new requirements for PVO grant program eligibility will assure that a minimum standard of voluntary support is met for those PVOs which desire to participate. The first three sub-groups share the characteristics that their international programs were initiated largely at the behest of AID and Congress and operate largely with AID funding in support of specific AID programs. In this sense, they can be characterized as nonprofit intermediaries of AID. The institutional support grants that these organizations receive from AID are not a part of the PVO grant program and are, therefore, excluded from the policy decisions affecting the PVO grant program which result from this paper.

Assuming good performance, support of the first four sub-groups would be expected to continue, in accordance with Agency programming judgments and priorities, even if they no longer qualify specifically for the PVO grant program.

Moreover, all five sub-groups are eligible to compete for AID contracts.

New policy development, including PVO registration requirements, cost-sharing requirements and eligibility for the PVO grant program will explicitly take the diversity of these sub-categories into account. Separate policy statements which govern AID's relationship with each sub-group will be revised as appropriate as implementation of the new PVO policy proceeds. In the meantime, this statement articulates certain broad policy concerns related to the AID partnership with private nonprofit developing organizations which cut across the various sub-groups.

II. The PVO Grant Program

AID's partnership with PVOs, as noted in the Policy Framework section, involves support of PVOs both as independent development agencies and as intermediaries of AID.

The variety of types of AID support available to registered PVOs and the difficulty of drawing clear distinctions among them, has tended to impede coherent program formulation and monitoring. To reduce potential confusion surrounding centrally funded and mission funded grants and the conditions for

receiving them, AID will simplify the requirements of the PVO grant program.¹ Consolidation of the funding and management of institution building support, elimination of institutional support grants and consortium grants as separate grant categories, development of the comprehensive program grant concept and simplification of the field support program should facilitate and strengthen these relationships.

A. The categories of support in the PVO grant program are as follows:

1. **Operational Program Grants (OPGs).** OPGs enable PVOs to carry out specific field projects in an individual country and occasionally regions. They are funded by Regional Bureaus and field Missions. Co-financing grants are a variant of the OPG program.

2. **Comprehensive Program Grants.** In order to consolidate multiple grant relationships, provide for better program integration, reduce redundant administrative procedures and provide maximum program flexibility, these grants are awarded to a limited number of PVOs with demonstrated development track records. The Matching Grant is at present the only type of comprehensive program grant.

3. **Institution Building.** Institutional development and management support grants are consolidated into FVA managed contracts or cooperative agreements in areas that need to be strengthened. Access for PVO personnel to training courses developed for AID staff is continued; courses and workshops for AID and PVO staff will be developed as needed. Guidance for selecting among various PVOs which apply for institution building services will be issued, including a referral system within AID to identify PVOs for the service. These services are available only to registered PVOs.

Institutional Support Grants. These grants are not a separate category in the PVO grant program. Any organization is eligible to receive institutional support from AID, including a registered PVO.

Consortia Grants. These grants are not a separate category in the PVO grant program. AID will continue support for PVO consortia as part of its development assistance program.

B. The field support program is simplified as follows:

1. **Mission Support to PVOs.** Management and administrative requirements for Mission support to PVOs (OPGs and Co-Financing programs) will be standardized to the extent practical for all regions.

(a) OPG guidelines will be revised and be sufficiently specific that they discourage unnecessarily divergent Regional Bureau or Mission interpretation. However, such guidelines will provide latitude for PVOs to design, manage and evaluate their own projects.

¹In this paper, we discuss the "PVO grant program," i.e., the type of support that is specifically reserved for registered PVOs. Currently, there are three kinds of specific support grants: operational program grants including co-financing grants, matching grants (a form of comprehensive program grant), and institution building grants; and three specialized subventions: P.L. 480 Title II, ocean freight and excess property. PVOs, whether registered or not, are also eligible for other types of AID grants or contracts that are not specifically reserved for PVOs.

We point out that institutional support grants are not now reserved for registered PVOs; any entity can receive an institutional support grant from AID. It is, therefore, inconsistent for AID to include institutional support grants in the category of AID support which is "reserved."

(b) PVO budgeting system. Each Region will allocate annual PVO planning levels to each Mission, based on Mission demand and PVO track record in the country.

(c) PVOs will share the costs of all OPGs and cofinancing projects. This requirement will be implemented by phasing in over the next three years the principle that part of the 25 percent non-AID funding requirement for such programs be a cash contribution to be obtained by the PVO from private sources. Missions will be given the authority to negotiate the cash levels appropriate to individual cases, but AID will seek compliance with this principle as a matter of policy. Operational guidelines for the phasing of the cash contribution will be developed to facilitate compliance.

(d) Key elements of the project design, implementation and evaluation process will be simplified and standardized to the extent possible.

2. Centrally Funded Matching Grants. More explicit criteria for the centrally funded Matching Grant (MG) program are as follows:

(a) The review procedures are strengthened to ensure the focus of MG activities is consistent with country development priorities and requirements.

(b) AID seeks to ensure that Development Assistance support is directed to AID countries, where the need is most evident. AID will only consider providing support for programs in non-AID countries on an exceptional basis where the activity is of significant benefit to activities proposed for AID countries or otherwise of interest to AID.

(c) The program is available to a limited number of PVOs of recognized standing with discrete programs in high-priority sectors. The grant selection criteria to measure track record and financial management capability are more explicit.

(d) The role of the Regional Bureaus in the MG approval process is reaffirmed by standardizing an appeal process to the Administrator or his designated representative in the event of Regional Bureau disagreement with approval of an MG by FVA; and

(e) Parallel funding of Matching Grants and OPGs to the same PVO in a country is not permitted unless specifically agreed to by a Mission.

III. Accountability

Accountability is not unique to the AID-PVO relationship. It is an element of consideration in all Agency relationships with outside parties. There are two actors in the AID-PVO relationship, each with duties and responsibilities. Accountability therefore involves:

- the duties and responsibilities of those AID offices and officials responsible for the management oversight of AID-funded PVO activities; and
- the duties and responsibilities of PVOs which receive and administer AID funds.

A. PVO Accountability

Accountability is an expectation not only of PVOs by AID, but also of AID by the U.S. Congress and the Executive Branch. It is multi-faceted in its aspects, involving various AID Bureaus and Offices and coming to bear at differing points throughout the program and project process. AID recognizes that PVOs are accountable to entities beyond the U.S.G., e.g., the individual contributor and their Board of Directors. AID's approach to accountability, however, must be governed by the standards applied to Federal funds. The duties and

responsibilities of nonprofit organizations receiving federal funds are set forth in OMB Circular A-110 and A-122 and AID Handbook 1, Supplement B, Chapter 24B. AID is required to implement these regulations; it does not have the authority to make them.

The scope of Federal audit work is not limited to fiscal considerations. It consists of three elements:

(1) financial and compliance audits, (2) economy and efficiency audits, and (3) program result audits. Audit rights remain a topic of serious discussion within the community. Audit's right to audit the books and field operations of U.S. PVO grantees and sub-grantees is reserved under OMB Circular A-110. As to foreign grant recipients or sub-recipients, however, audit access can become problematic unless adequate provisions are made to clarify this element of PVO accountability and to integrate them into the grant/contract process.

Where a PVO has multiple relationships with AID, the Agency will make every effort to consolidate accountability processes and to be systematic in the exercise of its accountability functions.

As a general matter, the AID-PVO relationship must reflect the autonomy of the organizations involved while at the same time insuring fulfillment of AID's legislative mandate as custodian of taxpayer funds. AID is accountable to the U.S. Congress for use of its funds as directed and it cannot forego that responsibility. The challenge is to arrange for AID's accountability functions to be exercised in ways which respect the integrity of AID's partner agencies.

AID will review (1) the duties and obligations of nonprofit organizations receiving federal funds as set forth in OMB Circulars A-110 and A-122, and (2) AID audit rights of foreign sub-recipients as set forth in the provisions of AID Handbook 2, Supplement B, Chapter 2; 24B in the course of its work to simplify the management and administrative relationship between AID and PVOs to ensure that adequate safeguards are built into any recommended changes.

B. Agency Accountability

With the proposed designation of the FVA Bureau as the principal Agency information center on PVO matters, that Bureau will assume primary responsibility for demonstrating that adequate management controls are in place with respect to AID's substantial and growing PVO grant portfolio. The Inspector General has been enjoined by OMB to (1) provide such assistance as may be required to ensure that adequate control systems are in place, and (2) periodically test the efficacy of AID's internal control systems through individual project or functional program audits.

1. Responsibilities for various aspects of accountability are assigned and delineated within AID as follows:

(a) FVA retains oversight responsibility for those PVO activities which it funds.² Missions' concerns also will be protected through the provision of more timely and consistent information on a regularized basis from FVA about PVO activities in their respective countries, as detailed in Section V.

(b) Each Mission assumes oversight responsibility for PVC)s which it or the

²In addition to the existing approval and monitoring standards regarding PVO accountability, the Missions are adequately assured of the computability of centrally-funded PVO programs with their portfolios by three other changes made by this policy statement: (1) that Matching Grant activities respond to the development problems and priorities of the country, (2) that parallel funding of Matching Grants and OPGs to the same PVO in a country is eliminated unless specifically agreed to by the Mission; and (3) that the selection criteria to measure track record and financial management capability of Matching Grant recipients are tightened.

Regional Bureaus fund. Missions will supply improved information to FVA about these activities in order that FVA can better function as the Agency's focal point of PVO information and coordination, as detailed in Section V.

(c) To facilitate effective performance of the above responsibilities, each Mission will identify an officer with lead responsibility for overall knowledge about PVO activities in that country. This officer will have a "trip-wire" responsibility to inform FVA of information that comes to his/her attention relevant to AID's management oversight of PVO projects, whether the project is Mission or centrally funded. The officer also will provide a point of contact between the Mission and FVA for purposes discussed in (b) above.

2. Information detailing the scope and objectives of Mission, Regional Bureau and centrally-funded PVO activities will be more fully developed and disseminated throughout the Agency. To carry this out, it will be necessary to:

(a) Clearly identify the various registration, program and grant requirements, and the guidelines or waiver procedures for each of these requirements;

(b) Assign monitoring and management responsibility for each set of requirements to the relevant office(s) in AID;

(c) Inform responsible offices of the relevant requirements and provide them with examples, particularly where precedent is involved;

(d) Spot check for uniform interpretation and application of requirements; and

(e) Incorporate the requirements and monitoring and oversight responsibilities in relevant AID handbooks and other Agency guidance.

IV. Funding Decisions

The AID-PVO relationship involves three types of funding decisions: (A) funding levels, (B) funding allocations between field-program support and institution building support, and (C) funding allocations between the two types of PVO field-program support mechanisms: Matching Grants and Operational Program Grants.

A. Funding Levels

The question of the appropriate funding level for PVO activities needs to be viewed in the context of the steadily increasing scale of PVO use of AID funds in recent years and the 1981 Congressional direction to AID to make available at least twelve and up to sixteen percent of its Development Assistance budget to PVC)s.

The Agency will maintain a substantial level of support for PVC)s in our total program. AID views funding for PVO programs as *complementary* to other AID projects within each Regional and Central Bureau.

While AID views funding for PVO programs as complementary to other Regional and Central Bureau activities, PVO programs compete with all other AID Central and Regional programs for funding. Although some refinements in the current budget review process as it relates to PVOs are made below, we believe that the basic approach is sound. It provides the flexibility needed to exercise program judgments regarding the competing demands of non-PVO assistance activities as well as the absorptive capacity and developmental performance of PVOs.

1. Funding for PVO programs will remain competitive with other AID programs within each Regional and Central Bureau - An appropriate balance will be maintained between field and centrally-funded grants.

2. Consideration of the funding level for PVO activities, as well as the appropriate mix between regionally-funded and centrally-funded programs, will be built into the AID program budget process so that funding trends are consistent with Agency policy and represent conscious decisions by Agency management. Grants made to PVOs from all AID bureaus will be included in this decisionmaking process and review as follows:

(a) The PVO program will be reviewed at each stage of the CDSS review process to tie PVO policy to each country's development strategy each Regional Bureau and PPC will consider the strategy and reasons for using or not using PVOs in each CDSS review.

(b) Proposed PVO funding' levels will be reviewed at each stage of the ABS review process to tie PVO policy to funding decisions. PPC will review the total PVO program and recommend to the Administrator any changes in the total PVO funding level and the mix between regional and central PVO funding levels.

B. Funding Allocations between Field Program Support and Institution Building Support

Budget constraints and the need for development impact in the field require that increased percentages of AID funding for PVO activities be allocated to specific PVO field programs (managed either regionally or centrally), as opposed to institution building support. Institution building support, particularly when the organization is not sharing the costs, also can create unhealthy dependency on the U.S. Government, a concern shared by both AID and the Congress.

AID's past support to a number of U.S. PVOs has significantly strengthened their abilities in the development assistance field. In recognition of the capacity that already exists in many U.S. PVOs and in order to make effective use of limited development assistance resources, funding priority is directed to PVO field programs. This emphasis also is responsive to Congressional concern that AID support direct PVO involvement in overseas development. However, the Agency's preference for field programs should not discourage the pursuit of innovative programming opportunities which may arise with certain PVOs. AID will maintain a degree of flexibility in this regard, reserving the possibility of considering institution building support on a cost-shared basis in select circumstances.

1. Increased percentages of AID funding for PVO activities will be allocated to PVO field programs as opposed to institution building (capacity building) support.

2. Management and other institutional support services to U.S. PVOs will be provided based on the identification of a specific need under centrally-managed contracts awarded competitively, or under cooperative agreements.

3. Institution building support to U.S. PVOs, while not encouraged, may be considered on a cost-shared basis in select circumstances, particularly in those instances in which the AID support directly enhances or supports field activity.

C. Funding Allocations between Matching Grants and Operational Program Grants

The two principal mechanisms for funding PVO field activities are centrally-funded and managed Matching Grants (MGs) and regionally-funded and managed Operational Program Grants (OPGs). (Co-financing programs, for purposes of this discussion, are treated as variants of the OPG program.)

Mission-funded PVO field programs, usually OPGs, generally relate clearly to Mission CDSS priorities and normally include little AID/ Washington involvement. The Mission has the sole responsibility for monitoring and evaluating OPGs.

However, Missions should consult and coordinate with FVA on the overall capabilities and management strengths of a PVO prior to initiating an OPG. OPGs will normally support discrete projects rather than represent a PVO's broader presence in a given country.

PVO activities under Matching Grants must also be consistent with country development priorities identified by the various AID Missions. AID's resources are sufficiently limited that it cannot fund PVO programs which do not address the country's development priorities. This approach does not, however, mean that, in a particular country, AID-supported PVOs must work only in the same sectors and geographical regions that AID does in its program.

AID's country programs derive from an analysis of the conditions retarding development in that

country, and a purposeful focusing of resources on those constraints, or on opportunities for development where AID judges that it has a comparative advantage. Budget, personnel and technical limitations normally will not permit the AID bilateral program to address all of a country's priority development constraints. Thus, a PVO might well work in a region or sector where AID is absent, thus expanding the scope of AID's total development effort. For example, programs of the family planning organizations supplement AID's bilateral activities in a number of countries. Similarly, the West Bank/Gaza and South Pacific programs offer examples of PVO management or all or most AID-financed activity in a specific region. Alternatively, PVOs can augment existing AID programs in particular sectors or regions. The critical point is not the sector or regional allocation of PVO activity, but rather the need to focus limited AID resources on the development needs and priorities of a given country.

1. Most support for field programs of PVOs in LDCs will be managed and administered through project-specific grants (OPGs) by the relevant Mission or Regional Bureau. However, AID also encourages consolidation of grants by country and/or sector into centrally-funded and managed comprehensive program grants for PVOs which have a demonstrated record in international development.

2. To ensure that those PVOs receiving Matching Grants are capable of programming and implementing overseas development activities with minimum AID oversight, the criteria used in Matching Grant program selection, particularly those for judging performance and financial and managerial capabilities, have been made more explicit.

V. Information Coordination and Dissemination

Inadequate information exchange between AID and PVOs, within AID, and among PVOs hampers effective programming. PVOs have very different strengths. AID has not developed a sufficiently active two-way information system to describe and evaluate PVO characteristics or strengths, and to inform PVOs of AID technical and program experience. Nor has AID developed a sufficiently strong information system to inform PVOs of Mission priorities and country settings relevant to the operation of PVO country programs.

Better information is needed on such questions as (1) which organizations are best at doing what and where; (2) which technical approaches are most promising under what circumstances; and (3) which program packages are managerially and technically effective and staff efficient.

A. Information Dissemination

FVA will develop a more focused program of active two-way information dissemination within AID based on the overall strengths and characteristics of various organizations, and with PVOs regarding AID sectoral priorities, country

strategies, and other relevant program/sectoral concerns;

B. Evaluation

Increased attention will be given by both AID and PVOs to evaluation and dissemination of the results of PVO experimentation in pilot programs. Several steps will be taken to accomplish this end. The following list is illustrative, not exhaustive:

1. Internalize Evaluation

To increase the effectiveness and replicability of PVO development projects, project evaluation capabilities must be internalized by the PVO. FVA will continue to assist PVOs in strengthening their evaluation capabilities by opening AID evaluation seminars to PVO personnel.

2. Improve Communication

PVOs typically work independently of each other even in the same country. Particularly where this is the case, PVOs could share information about what each is doing, explore areas of common interest, pool resources and exchange ideas. Such exchanges among PVOs should be facilitated and could be funded by the respective Missions.

3. Improve PVO Evaluation and Information Dissemination Inside AID

AID needs to improve its ability to evaluate systematically the overall performance of specific PVOs and develop an active information dissemination and exchange system. Information about PVO programs gathered by PVOs and AID Offices and Missions that manage PVO grants must be provided more systematically to the FVA Bureau, synthesized, and disseminated to AID program managers and PVOs. To accomplish this, Missions will provide relevant documents to FVA. FVA will periodically provide such overall evaluations of PVOs to the field.

C. FVA's Role

FVA will more actively provide:

1. Technical assistance, to AID regions and Missions, at their request, to plan, design, manage and evaluate PVO programs and, if possible, to suggest new and innovative approaches to programs involving PVOs.

2. Assistance to PVOs regarding AID procedures, functional or sectoral priorities, and country strategies. Relevant AID documents regarding AID procedures, sectoral strategies, country strategies, program and impact evaluations should be sent to registered PVOs as they inquire. Likewise, FVA will facilitate the dissemination of PVO documents relevant to the Missions and/or regions.

3. Orientation to AID Mission Directors and others in the Agency regarding PVO involvement and activities in any given country.

VI. Formulation and Implementation of PVO Policy

If an effective relationship is to be maintained with the PVO community, the Agency must formulate clear and comprehensive policy guidance. The matter of "lead policy role" is of major importance to the PVO community, as well as within AID. In addition, the roles and functions of the various Bureaus and Offices with which PVOs will be interacting must be clarified to facilitate productive AID-PVO relationships.

Although the AID Administrator has ultimate responsibility for AID policy, PPC will continue to function as the lead office in policy formulation and coordination while FVA / PVC will continue to serve as the lead office in relation to Agency wide operations involving AID and the PVOs. This separation

of the policy formulation role of PPC from the operational role of FVA is consistent with PPC's role vis-a-vis other AID Bureaus. This division of responsibilities is appropriate in maintaining PPC's position as the Administrator's "policy broker."

Within this PPC policy framework, AID recognizes that effective assistance and guidance to PPC in the area of policy formulation requires consistent and broad accessibility to the PVO community. This necessitates a working knowledge of the attributes, functions and activities of these heterogeneous organizations. The current position of Director of PVC in the FVA Bureau has these characteristics.

A. PPC is the "lead office" in PVO policy formulation and coordination:

1. PPC formulates PVO policy for the Agency. FVA's responsibility is to implement the policy. PVC's Office Director provides assistance, information and guidance to PPC in the area of policy formulation.

2. PPC reviews overall Agency PVO strategy in the CDSS process and overall Agency PVO program levels in the ABS process. FVA participates in these reviews as a resource to PPC and to provide for effective monitoring.

3. FVA chairs the intra-agency PVO Liaison Committee and assumes primary responsibility for implementing the Committee's recommendations. Policy-related issues will be directed to PPC, which can "reconvene" the Committee at the Assistant Administrator/Office Head level as appropriate.

B. Utilizing this policy statement as a basis, PPC, working with appropriate offices, will produce a series of AID policy-related documents on PVO matters as appropriate. Such documents will, inter alia, address such topics as:

- a guidance on the workings of the CDSS and ABS processes as they apply to PVOs;

- AID support of indigenous PVOs as entities in their own right and as partners with U.S. PVOs.

VII. Organizational Configurations

The present organizational configurations for managing and administering the AID-PVO relationship require clarification concerning functions and roles. A change in emphasis on certain functions is also needed to respond to evolving PVO requirements and AID's own concerns.

A. The FVA Bureau

FVA will structure itself to be a more active resource for AID Offices and Missions as they plan specific actions or programs with PVOs FVA's role as the information center for PVO matters is being strengthened. Such an overall communication system will both utilize and maintain AID's PVO memory and will contribute to consistent implementation of AID-PVO policy.

The FVA Bureau assumes the role of general broker between PVOs and the Regions.

For example, FVA informs AID Offices of PVOs' characteristics and strengths, and of the kinds of assistance the registered organizations receive from which AID offices and countries; assists PVOs with AID procedures, functional and sectoral priorities and country strategies by holding workshops and disseminating relevant AID documents; provides technical assistance to PVOs and to AID Regions and Missions to plan, design, manage and evaluate PVO programs and to suggest, when possible, new and innovative approaches to programs involving PVOs. In order for FVA to play this enhanced role, a revised and strengthened management and information system will be put into place to assure (1) that necessary information concerning PVO related plans, projects and policies is provided to FVA on a regularized and timely basis and (2) that regional and other bureaus inform and solicit information from FVA prior to making PVO grant awards. FVA will take the lead in developing a system to accomplish these objectives, in collaboration with PPC and the other concerned bureaus. Great care will be taken to avoid creation of an administrative bottleneck in PVO funding in the PVO information system.

The FVA Bureau also carries out the following functions:

1. PVO registration.
2. Maintenance of ongoing knowledge of PVO financial and managerial capabilities.
3. Development and management of the central grant program.
4. Liaison with the Advisory Committee on Voluntary Foreign Aid.
5. Implementation and monitoring of AID policy on PVOs, and with PPC, development of AID program guidance concerning PVOs.
6. Development and monitoring the application of simplified AID procedures for supporting PVO programs.
7. Coordination of the evaluation of overall PVO performance.

B. The PVO Liaison Committee

The PVO Liaison Committee--the intra-AID coordinating committee--is a forum to discuss PVO policy, program and procedural matters. The program recommendations of the Committee are implemented principally by FVA. Recommendations relating to policy are directed to AA/ PPC. The Committee will meet periodically at the Assistant Administrator/Office Head level to resolve policy issues and discuss new policy directions.

VIII. Advisory Committee on Voluntary Foreign Aid

As stated in its charter, the objectives of the ACVFA are:

- to serve as a focal point for relations between the U.S. G. and U.S. PVOs active in relief,
- rehabilitation, and development assistance overseas; and

- to assure that the voluntary sector plays a vital and dynamic role in the formulation and execution of foreign assistance programs.

Its duties and scope of activity are outlined as follows:

- To consult with, provide information to, and advise the Agency for International Development (and other U.S. Government agencies, as appropriate), on matters and issues needing attention across a wide spectrum of development issues relating to foreign assistance in which U.S. Government and U.S. private and voluntary organizations interact.

- To provide the community of private and voluntary organizations working abroad with information, counsel, and other assistance on problems and issues 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 the activities of private and voluntary U.S. organizations.

- To provide guidance to AID concerning the standards, criteria, requirements and process for the registration of voluntary agencies.

1. ACVFA will continue to explore ways in which it can enhance its catalytic role in facilitating the AID-PVO relationship.

2. AID will continue actively to seek the Advisory Committee's advice on broad policy related issues involving the AID-PVO relationship including, in particular, those issues of long-term importance to maintenance of an effective and mutually beneficial partnership and identification of potential areas for greater PVO involvement.

3. AID will insure that the ACVFA staff remain apprised of major issues pertaining to the AID PVO relationship so that it can effectively carry out its mandate.

4. AID will actively seek the Committee's: advice and use the ACVFA meetings as a forum to discuss proposed changes in PVO policy, programs and procedures.