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Mr. Chairman, thank you for the opportunity to address the Committee on the future of foreign aid. This issue has been a focus of The Development GAP for the past dozen years. During that time, we have worked in some 30 countries with the World Bank, AID and smaller aid institutions and with Third World public, non-governmental and grassroots organizations. We have also worked extensively with Congress in translating this experience into policies relevant to Third World realities.

This testimony also reflects to a large extent the views of a coalition of some 30 U.S. non-governmental organizations (NGOs) which have come together over the past few months to respond to the initiative taken by the House Foreign Affairs Committee to reform the U.S. bilateral aid program. In this regard, I would like to submit for the record a letter that this coalition has written to the Committee Chair, Mr. Fascell, expressing our view of the Committee's undertaking, as well as a summary of a set of policy proposals that we have submitted to the Committee. You may also wish to enter in the record, Mr. Chairman, our complete policy document, the proposed "Development Cooperation Act of 1990." Our coalition has subsequently integrated this document with the bill recently drafted by the Foreign Affairs Committee.

We and other development, church and environmental organizations have put so much effort into this undertaking because of the crises currently facing the Third World and the aid community. The Third World crisis has three major dimensions: a \$1.2 trillion debt; more intense and pervasive poverty and suffering than has been experienced in a generation; and increasing environmental degradation that is threatening the capacity to sustain economic growth and development.

This crisis is partly the result of the adoption over the past two generations of development models promoted by Northern aid agencies. Neither the conventional liberal nor conservative approach to development has been reflective of the needs and realities of the majority of Southern populations. Both have overemphasized production for export and have thus left Third World economies highly vulnerable to changes in international prices and markets. Across the Third World, countries have sacrificed the capacity to feed their populations, face ballooning import bills, and find it increasingly difficult to penetrate Northern markets or to secure adequate prices for their exports.

The international aid community has responded to this situation by promoting structural adjustment policies geared to

further opening Southern economies and expanding their export production. In light of the disadvantages that Third World exporters already face in international markets, the prospects of a more closed European market after 1992 and few signs of a return of commodity prices to late 1970s levels, such prescriptions by the IMF, the World Bank, and bilateral aid institutions such as AID are prescriptions for economic suicide.

Not only have these policies failed to extricate the Third World and Northern banks from their debt woes, but they are rapidly eroding the capacity of Third World countries to generate self-sustaining development. Farm lands are abused in the effort to maximize the production of export crops. Poor subsistence farmers are pushed to marginal lands, which they are forced to abuse in an effort to survive. Rain forests are sacrificed to the interests of international lumber companies and cattle ranchers. Women and children and other poor and vulnerable groups, which had no role in creating the debt, are effectively being denied medical care, education, jobs or the transportation required to reach them, and a slew of other services. A whole generation of potentially healthy and productive people are falling into survival modes. Many small producers unable to gain access to credit and related services find themselves forced to move into drug production.

The situation is grim, and people are very angry. Riots, such as those recently in Venezuela, are only the tip of the iceberg. This anger, desperation and alienation are also manifested in pervasive crime, domestic violence, drug use, and a range of street protests. They are generating an instability across the South that will yield political upheavals and repression in the years ahead unless we make a sharp turn and begin supporting a different kind of development.

The answers lie mainly in the Third World. For nearly two generations we in the North have prescribed what is best for the people of the South. Our macroeconomists have shaped the models. Our policymakers and aid agencies have defined their needs. We have provided our consultants, technologies and products all too often at the expense of helping societies to build upon their local knowledge, experience and capabilities. We have built modern infrastructures in conjunction with national institutions that have little or no association with local populations instead of providing assistance to the development endeavors of these populations.

A new phenomenon is emerging in the Third World. From among the deepening despair, significant social movements are developing. Citizen groups that have worked for years in grassroots development have recognized that the negative repercussions of international policies are undermining and overwhelming their long-term efforts on the ground. As a consequence, they are translating local-level development experience into macro-policy alternatives and engaging

increasingly in national and international policy deliberations. In conjunction with their Northern counterparts, these organizations have constructively engaged and thrown out challenges to the World Bank and other multilateral agencies. They have already played a key role with Congressional subcommittees in reshaping policy toward the Caribbean and stimulating a reassessment of structural adjustment policies in Africa.

Virtually every piece of development-related legislation taken up in the House in the past two or three years has had as a central element the requirement that local populations be consulted in the shaping of development policies and programs. We urge that this Committee also build into its mandate to our bilateral and the multilateral aid agencies that they systematically consult with the Third World poor through their own organizations, so that our aid policies are informed and our assistance efforts relevant to the people we say we are dedicated to helping. Furthermore, any legislation relating to U.S. PVOs should mandate a role for them in ensuring that AID hears the views of their Third World counterparts on matters of local and national importance.

In the meantime, the House Foreign Affairs Committee has taken an initiative to rewrite the 1961 Foreign Assistance Act. This initiative has been welcomed by the non-governmental community not only because of its timeliness but also because of the major contribution it has made in stimulating a major debate in our field and a fundamental reevaluation of our aid program. As a by-product, it has stimulated a large number of U.S. NGOs with a wide range of foci to join in a common effort to contribute to the creation of an official aid program that can help foster forms of development that are equitable, participatory and sustainable. We are also supportive of the Committee's effort to return the Congress to an orderly process of authorization and appropriation on foreign aid and to remove many of the bureaucratic constraints to the efficient functioning of AID and to an effective interaction between AID and Congress.

At the same time, however, our NGO coalition has some fundamental problems with the Foreign Affairs Committee's proposals that have thus far made it impossible for us to support them in their entirety, as expressed in our letter to Rep. Fascell. First and foremost, we do not support the removal of functional accounts and other constraints on AID's programmatic latitude unless other, effective mechanisms of accountability are established. Better mechanisms of monitoring and oversight must also be established. We simply do not have the faith that the House Committee appears to have in this, or any, Administration to follow the broad policy guidelines that Congress legislates. We in the NGO community who are in close contact with local populations and environments cannot support legislation that gives greater operational latitude to an Administration with an agenda that is inconsistent with these local interests.

Second, we are troubled by the relatively little attention given by the House Committee to environmental concerns or to their integration with the stated objectives of poverty alleviation, economic growth and democratic pluralism. What has brought environment, development, church and human rights groups together is a common understanding of development as a process that integrates all these objectives. Any policies that enable AID to address these objectives individually will not gain our support.

Third, the House bill lacks the mechanisms to ensure that development concerns will be separated and insulated from short-term foreign policy objectives. In our view, development assistance should, to the maximum extent possible, be separated operationally, institutionally and legislatively from security-supporting and military assistance. Ultimately, we and many of our colleague organizations would like to see the creation of an independent bilateral development assistance institution that can concentrate on the job of helping to generate long-term, sustainable development in response to local realities and input rather than to outside influences.

Fourth, the House effort is still too oriented to U.S. and other Northern interests. Our aid legislation, with a few notable exceptions, has always been more geared to applying U.S. expertise to Third World problems than to building on the pervasive and much more relevant expertise that exists at all levels in the South, especially among the poor themselves. Nor do we think that our aid program should be used to assist the U.S. private sector or the more privileged members of the private sector in the Third World. If we are going to use our aid to promote free enterprise, it should be used to create an even playing field to help the small producer.

It is time, in our view, to start saying no to the many special interests attendant to our aid legislation. Poll after poll shows that, while the U.S. public supports foreign aid in principle, it opposes it in practice because it feels -- quite correctly -- that most of the aid does not reach the poor and that much of it remains with interests in this country. There is a large and growing community of organizations in this country that supports this view, that has a broad constituency and membership, and that has shown its willingness to work with Congress to shape an aid policy and program that is responsive first and foremost to the common people of the Third World.

We are asking that Congress chart a different course for our aid agencies, one that will enable them to help Third World countries to make a transition to a different type of economy. If The Third World is not always to be dependent on our aid, we will have to help them to become more, not less, self-reliant. We need to support their efforts to integrate their national and regional economies, rather than simply export commodities and

assemble foreign parts. We have to help them develop the skills and structures needed to compete effectively before we insist that they be more fully integrated into the international marketplace.

The Inter-American and African Development Foundations and many Northern NGOs and PVOs have done a good job in helping to build the local organizational structures in the South needed as the base for constructive change. Congress must now ensure that AID and the multilateral agencies to which the United States contributes build upon this work instead of continuing to largely ignore it and thus often to undermine it. We need to pay less attention to how much money we have for aid and more to where it goes and how it is provided. Large public and private-sector institutions have proven all too often to be inappropriate and ineffective conduits for our aid. It is clear that we could do far more with less aid if we reserved it for local governmental and non-governmental organizations and to those national and regional-level agencies that have a proven track record of working with and benefiting the poor.

Most importantly, we must take a different posture in our bilateral (and multilateral) aid program. We have to build on what Third World people are doing for themselves, rather than imposing development models, policies and projects on them. For many decisionmakers in the aid world, letting go and leaving room for the intended beneficiaries of their assistance to define their development courses is a risky proposition. It provides no assurances that the routes chosen will be familiar or that they will lead in directions that appear compatible with short-term U.S. interests, however they may be defined.

Yet, from a national-interest perspective, this is the very strength of a foreign aid approach that is responsive to the needs and efforts of the people of the Third World. It represents to those populations a recognition on the part of the United States of their right and ability to determine their own future. This recognition is the basis for sustained economic and social stability and holds the promise of lasting relationships of mutual appreciation and respect. It is in the building of this stability and such relationships that true, long-term U.S. interests lie.

As your Committee moves forward in dealing with the U.S. role vis-a-vis Third World development, The Development GAP and our colleagues in the NGO community would welcome the opportunity afforded us by the House Foreign Affairs Committee to contribute to the shaping of a more effective aid policy and program.