

PROPOSAL TO REFORM U.S. DEVELOPMENT ASSISTANCE



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T H E D E V E L O P M E N T G R O U P F O R A L T E R N A T I V E P O L I C I E S



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NGOs RELEASE PROPOSAL TO RESTRUCTURE U.S. DEVELOPMENT AID

Three non-governmental organizations with a long involvement in international aid programs today released a detailed proposal for reforming and restructuring U.S. development assistance. The initiative was undertaken by The Development GAP, Oxfam America and Friends of the Earth - U.S., which have long sought to make aid provided by the United States more responsive to local realities overseas.

The current battle over the future of foreign aid between the Clinton Administration and the Republican-controlled Congress is expected to intensify with Congress back from its April recess. Key Republicans are working on plans that would eliminate the existing U.S. Agency for International Development (USAID) and merge it with the State Department, where it would be subjected to the day-to-day management of short-term foreign policy. The Administration's position is that USAID should remain a semi-autonomous agency under the broad policy guidance of the Secretary of State.

"Unfortunately, the debate has focused too much on resource levels and turf," says Rob Buchanan, Oxfam America's Washington Representative. "We should be talking about how development aid can serve U.S. long-term interests in poverty reduction and stability abroad. At a time of shrinking budgets, we must ensure that each dollar of development aid is invested wisely in building more self-reliant societies."

The three NGOs are proposing a development assistance restructuring designed to provide policymakers with an option that would clearly differentiate and institutionally separate the various uses to which U.S. aid monies have historically been put.

The NGO proposal recognizes that broad-based development overseas creates economic opportunities and political stability that support long-term U.S. national interests. By emphasizing institutional streamlining, decentralized decisionmaking, community empowerment, and the separation of development aid from political, security and commercial assistance, the proposal echoes some of the themes put forward by Republican lawmakers this year. However, the NGOs recommend a different structure for development assistance.

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"Turning development aid over to the State Department is not the solution," says Steve Hellinger, Executive Director of The Development GAP, the chief author of the NGO proposal. "Nor, despite Administrator (Brian) Atwood's admirable reform efforts within USAID, can we accept the Administration's continued use of its aid program in support of socially and environmentally destructive economic policies imposed on the people of the Third World. It is out of these concerns that we offer a different vision and what we consider to be a more rational structure for our aid program, one that the American people can relate to."

Institutionally, the NGO proposal, which has been shared with Administration officials and Congressional staff, would, if adopted:

- Transform USAID into a free-standing statutory agency known as the U.S. Agency for International Cooperation, which would coordinate U.S. assistance for long-term development, disaster relief and the promotion of democracy abroad;
- Establish within the Agency the Development Assistance Administration (DAA), protected by a nine-member Board of Governors against political interference, to serve as the principal vehicle for the provision of U.S. bilateral development assistance;
- Create a Center for Private and Voluntary Cooperation within the DAA, through which U.S. private and voluntary organizations would receive their funding for development assistance purposes;
- Give the Agency Administrator the flexibility to move resources from the Agency's Bureau of Disaster Relief and Humanitarian Assistance and the Bureau for Democratic Reforms to the DAA for the purpose of effecting long-term, sustainable development, with the approval of the DAA Board on which the Administrator would sit;
- Place the majority of a streamlined DAA staff in provincial field offices coordinated by regional offices in order to identify and support development activities built on local initiatives and priorities; and
- Maintain the integrity and independence of the Inter-American and African Development Foundations so that their local-level funding and knowledge can provide an important base for DAA programming.

Specifically, the proposal extends to the Development Assistance Administration the following responsibilities:

- Promoting the decentralization of resources and decisionmaking to the local level and increasing self-reliance by investing in small producers, including farmers producing food for the domestic market;
- Supporting the work of local government and non-governmental organizations in building on effective community-level development initiatives;
- Helping women gain access to productive resources, promoting family well-being, and supporting ecologically sound development;

- Conducting and underwriting processes of consultation and democratic participation so that the DAA's own planning and program development and the projects and policies it supports are informed by the perspectives of local populations and their organizations; and
- Reviewing all projects and policy programs under consideration at the international financial institutions and contributing its field-based experience and analysis to the U.S. government's review of the loans proposed by those institutions.

To establish a clear separation of functions, the proposal recommends placing all programs and activities designed to promote strategic, security, commercial and related short-term foreign-policy objectives within the State Department. To the same end, it would prohibit the Department from attaching development-policy conditions to the foreign aid it provides for these non-developmental purposes.

According to Brent Blackwelder, President of Friends of the Earth, "The State Department and the Treasury, which have no field-based knowledge, already have too much power over the use of U.S. aid resources. The result has been the undermining of sustainable development around the world. We need a totally new approach in this post-Cold War era, and we are seizing this opportunity to put one forward that can gain broad-based support both in this country and abroad."

- 30 -

The Development GAP has worked over the past two decades to reform foreign assistance and international economic policy. Its award-winning book, Aid for Just Development, provided a basis for an NGO reform effort in 1989, which the organization led. It has helped to create new aid institutions and has worked extensively overseas demonstrating to the World Bank and USAID alternative aid approaches. Most recently, it provided assistance to the USAID Administrator in the Agency's internal reform efforts.

Oxfam America has supported community-based self-help development and disaster relief efforts for the past 25 years. Currently it works with local partners in 31 countries in Asia, Africa, the Americas and the Caribbean. The organization also produces educational materials on issues of hunger and development and speaks out on public policies that affect its partners and programs. Oxfam does not accept any government funds.

Friends of the Earth - U.S., founded in 1969, is a national environmental organization and part of Friends of the Earth - International, which has member groups in 52 countries. FoE-U.S. was one of the U.S. environmental organizations that launched the campaign in 1983 to reform multilateral bank lending. It has worked with Congress since then in developing policy initiatives to accomplish these reforms.

The 16-page plan, entitled "Proposal to Reform U.S. Development Assistance," is available from The Development GAP and Oxfam America.



PROPOSAL TO REFORM U.S. DEVELOPMENT ASSISTANCE

The purpose of this proposal is to advance the long-term national interests of the United States through the structuring of a streamlined, efficient and functionally organized foreign assistance program sufficiently in touch with and responsive to local realities in developing countries and emerging economies to support effectively the expansion of citizen involvement and local productive capacity, sustainable development, social and economic progress, and economic self-reliance in those nations.

I. Premises upon Which Proposal Is Based

(1) **United States national interests in the developing world and emerging economies lie primarily in the generation of broad-based economic progress, environmental health, and social and political stability.** These interests, as well as humanitarian objectives, can best be furthered by **the promotion of long-term development that is participatory, equitable, self-reliant and environmentally sustainable and in which all citizens have access to development resources, opportunities and decisionmaking processes.**

(2) **The essence of effective development is the decentralization of resources and decisionmaking to the local level** so that families, communities, small producers, citizens' organizations and local government can undertake and/or support endeavors that are relevant to local conditions, needs, priorities and capabilities and increase the degree of local and national economic integration and self-reliance, thus lessening dependence on foreign assistance and foreign capital.

(3) **Economic self-reliance requires support for the activities of local populations through organizations in which they actively participate, including small-scale producers,** who, utilizing local resources to produce first and foremost to satisfy local needs, form the backbone of economic life in most developing countries. Small farms, small-scale agricultural processing endeavors, other small-scale manufacturing and service enterprises, cooperatives and other joint-enterprise activities require adequate resources to enable them to serve the local population and to respond to external demand.

(4) **Democratic participation in the identification, design, implementation and assessment of all development projects, programs and policies is key to the quality, relevance, success and sustainability of these endeavors.** Broad-based and systematic consultation with local populations and their organizations taps critically important local knowledge, engenders local commitment to the development process, and fosters deep-rooted democracy.

(5) **Development fails when projects, programs and policies are imposed from above by local authorities, national governments or international institutions that ignore the knowledge and perspectives of local populations.**

(6) **Greater equity in the form of a fairer distribution of income and opportunity is central to the reduction of poverty and the curtailment of social disintegration, the expansion of local markets, and the growth of domestic production, employment, savings and reinvestment.** Equitable access to productive resources, a fair wage, and good health care and education is the most effective means of achieving these goals.

(7) Across the developing world, women play critically important roles in the economic life of their families and their communities. **The expansion, therefore, of women's economic opportunities, incomes and access to productive resources is essential to the alleviation of poverty and the development of effective, broad-based economic growth.** Investment in female education is equally important, as the gap between female and male education is an obstacle both to increasing women's options and to fully mobilizing human resources for socio-economic development. **Mounting evidence indicates that education and economic productivity correlate positively with lower fertility rates,** later marriage, improved health for women and their families, and a dramatic decrease in infant mortality.

(8) **The sustainability of development over the long term is dependent upon both the commitment of the skills and energies of local populations and the judicious use of environmental resources.** Misguided approaches to economic growth, however, have too often degraded the natural resource base in many developing and emerging economies, thereby making that growth and meaningful development unsustainable. Overgrazing, overharvesting of trees, overcropping on fragile soils, large-scale inappropriate development projects (particularly in the area of irrigation), an overemphasis on export agriculture and the rapid extraction of other local resources for export have caused, to varying degrees, soil erosion, flooding, removal of tree cover, loss of water supplies, and desertification.

(9) **Energy conservation and energy production from renewable, decentralized sources have great potential for meeting energy needs, especially those of the rural poor.** These techniques can enable developing countries to make efficient use of scarce resources, minimize environmental harm (including the warming of the earth's atmosphere) and reduce dependence on dwindling oil reserves and expensive imported energy, while often meeting energy needs more cheaply and generating more employment than can be achieved by the production of energy from conventional sources.

(10) **Non-governmental organizations active in grassroots development efforts have constructed an institutional and developmental infrastructure and have gained experience and knowledge in their respective countries and regions that are indispensable to official aid institutions.** There is a need for these institutions to consult closely with such non-governmental organizations and significantly factor their views into decisions on assistance, as well as to support the expansion and strengthening of their activities without compromising their private and independent nature.

(11) **U.S. private and voluntary organizations and cooperatives, working in support of the evolution and efforts of these local organizations, constitute an important means of mobilizing private U.S. financial and human resources to benefit and empower poor people in developing countries and emerging economies, and, in so doing, help build more pluralistic and open societies.**

(12) **To be effective, development aid must be provided in response to, and in support of, development initiatives that emerge from local needs and conditions. In order for the U.S. Government to contribute effectively to the generation of broad-based economic progress, sustainable development, and social and political stability, U.S. development assistance must therefore be separated functionally and institutionally from political, commercial and security assistance and in all other ways be freed from short-term foreign policy exigencies and other non-developmental interests.** Such assistance must be delivered by independent institutions and programs, closed at the top from political and commercial interference and open at the bottom to local ideas and initiatives.

(13) **The level and rate of aid delivery should be commensurate with the local capacity to utilize the assistance effectively. Streamlined, decentralized aid institutions can better identify appropriate implementing organizations, assess their capacity to absorb funds and execute relevant development initiatives, and, in the process, make maximum use of available development resources.**

(14) **In some countries, including many in sub-Saharan Africa, the vast majority of local populations are poor and the institutions of government and civil society are weak. Support is particularly important in these nations and in countries emerging from political and social conflict for the strengthening of organizations and programs that directly represent or incorporate poor women and men and/or respond effectively to their expressed needs.**

II. U.S. Development Assistance Policies

It should be the policy of the United States in providing development assistance to:

(1) **Help expand the economic involvement of poor women, subsistence food producers, other small farmers and enterprises, urban workers, the underemployed and landless, indigenous populations, and others in the poor majority in the development of their countries** so as to engender a process of equitable economic growth that enables them to increase their incomes and their access to productive resources and services, to protect and advance their rights, and to influence decisions that affect their lives.

(A) **Such growth should be:**

(i) **equitable**, in that it enables poor women and men to increase their incomes and their access to productive resources and services so that they can satisfy their basic needs and lead lives of decency, dignity and hope;

(ii) **participatory**, in that it enables the poor to contribute knowledge and other resources and to make and influence decisions that affect their lives;

(iii) **environmentally sustainable**, in that resources are managed and conserved, in a renewable fashion, primarily for local use by local populations so as to remove pressure on the natural resource base and conserve resources for future generations; and

(iv) **self-reliant**, in that it is based on the efforts of domestic producers, most particularly small-scale producers in both rural and urban areas, to meet local needs, including food and nutritional needs.

(B) Assistance in this area should be designed to:

(i) **promote small-scale production** and the integration of such production in the agricultural sector with the development of small-scale industry;

(ii) **help increase food self-sufficiency** and security, reduce food import bills, and improve nutritional levels by supporting food production for local, national and regional consumption;

(iii) **promote greater access by women**, whether rural or urban, to **productive resources and services**, such as land, credit, training, technical assistance and markets, and to the economic and legal means to obtain gainful and productive employment, thereby increasing their opportunities and effective contributions to economic growth; and

(iv) **encourage regional cooperation** in the achievement of greater economic self-reliance and international competitiveness.

(2) Promote democratic participation and economic, social and political pluralism by:

(A) consulting systematically with the intended beneficiaries of U.S. economic assistance in the elaboration of development policies, programs and projects;

(B) providing assistance to local and national non-governmental and public institutions that have the capacity or potential to carry out development programs effectively;

(C) protecting and promoting human rights of all people regardless of gender, race, religion, ethnicity or occupation, including those of workers, women and indigenous peoples and including the right to organize and associate freely; and

(D) ensuring that local women and their organizations are integral to, and active participants in, all aspects of development by promoting the effective representation and leadership of women and strengthening women's participation in decisionmaking at all levels.

(3) Support programs in the areas of health and education and other activities deemed important for family well-being by communities and local organizations so as to expand economic and social options.

(4) **Support development that is ecologically sound** in that it maintains and restores the renewable resource base, does not impair critical ecosystems, wisely uses nonrenewable resources and does not exacerbate global environmental problems.

(5) **Draw on the resources and experience of those U.S. private and voluntary organizations that have demonstrated effectiveness in, or commitment to, the promotion of grassroots activities undertaken by local non-governmental organizations** in pursuit of long-term, sustainable development.

III. Participation and Consultation

(1) **In general.** Sustainable development depends for its success on the empowerment of people to make political and economic decisions. Participation, in the form of active involvement of program participants in the identification, design, implementation and evaluation of development programs is critical to the success of those programs. Therefore, **U.S. development assistance should incorporate the local-level perspectives of all participants, especially the rural and urban poor and women, in the identification, design, implementation and evaluation of projects, programs, and development policies, as well as in the design of country assistance strategies and overall strategic objectives.**

(2) **Role of women in the development process.** The expansion of women's opportunities is essential to reduce poverty, lower population growth rates and bring about effective and sustainable development. The active involvement of women in economic, political and social activities is necessary to promote democracy and to assure sustainable development. **Women and their local groups and organizations must be involved as agents as well as beneficiaries of change in all aspects of the development process and must actively participate in the formulation and implementation of all projects and programs supported by U.S. assistance.**

(3) **Non-governmental organizations.** For development to be broad-based and sustainable, it is imperative to consult with, and fully engage in the policy and program planning process, **non-governmental organizations representative of, and knowledgeable about, local people and their interests.** Non-governmental organizations, including farmers' associations, cooperatives, credit unions, labor unions, women's groups, other local organizations, and private and voluntary organizations, should be fully utilized in meeting development assistance objectives and purposes through, among other things, regular involvement in the formulation of country assistance strategies.

(4) **Assistance planning.** In all stages of the design and implementation of assistance programs and policies, **U.S. assistance institutions should engage in close and regular consultation with the above-mentioned organizations and should reflect the results of such consultation in their annual planning documents and should utilize the information and perspectives gained from such consultation in the development of their programs and policies.**

IV. Protection and Promotion of Peoples' Rights and Human and Environmental Health

(1) **Peoples' rights.** Assistance should not be provided to any government that systematically violates or that does not take steps to protect and promote:

(A) **internationally recognized human rights** (as defined in the Universal Declaration of Human Rights);

(B) **internationally recognized workers' rights** (as defined in section 502(a)(4) of the Trade Act of 1974); and

(C) **the rights of women, indigenous peoples and other distinct population groups, and the rights of all people to organize and associate freely.**

(2) **Public health.** Assistance should not be provided, directly or indirectly, for the use of any chemical or other substance in a country if:

(A) that use is not permitted under laws of that country relating to the protection of public health or the environment; or

(B) that use would not be permitted in the United States under laws of the United States relating to the protection of public health or the environment.

(3) **Petitions.** Any person should be permitted to submit a petition to the chief executive officers of U.S. development assistance institutions, presenting evidence that a government receiving U.S. development assistance has not promoted, protected or respected the internationally recognized rights of its citizens and/or knowingly used or allowed to be used substances that are harmful to the health of their citizens that are banned in their use by the laws of that country or by those of the United States. The institution in question should take appropriate action to investigate the issues raised in the petition, make a determination with respect to the petition, and terminate assistance to the government in question if it is found to have contravened the standards delineated above.

V. Priority Areas of Development Assistance

Priority in the provision of assistance for long-term development should be given in the following critical areas:

(1) **Local economic production and integration -**

(A) **Integrated rural development.** Supporting integrated rural development efforts designed to increase farm employment opportunities and enhance the quality of rural life, including programs of agrarian reform that distribute land and provide necessary assistance to small producers and cooperatives.

(B) **Community-based agro-industries.** Supporting small- and medium-scale, locally owned cooperative and community-based agro-industries engaged in the processing of indigenous resources for local consumption and for export, including the provision of support for:

(i) the establishment of marketing networks to facilitate intraregional trade in food through programs that incorporate or serve small producers and that make marketing services more accessible to such industries;

(ii) the development and introduction of production technology appropriate for such industries; and

(iii) programs that ensure the availability of credit to such industries.

(C) **Creation and capitalization of appropriate financial mechanisms.** Supporting institutional endeavors to provide affordable credit to small- and medium-sized farm and manufacturing enterprises and microenterprises.

(2) Sustainable agricultural development -

(A) **Nature of production.** Supporting increased food and other agricultural production in ways which protect and restore the natural resource base through:

(i) agricultural extension and marketing activities, credit facilities, appropriate production packages, land reform, and the construction and improvement of needed production-related infrastructure, such as farm-to-market roads and small-scale irrigation; and

(ii) participatory agricultural research, in which small farmers are directly involved in the definition of research agendas and the formulation of problems in order to capitalize on local knowledge and experience.

(B) **Broad-based involvement.** Promoting increased equity in rural income distribution, recognizing the role of small farmers (particularly women) and the farm family and integrating women more fully into all supported development activities.

(C) **Project selection and development.** Supporting the implementation of small-scale, affordable, resource-conserving and easily reproducible projects that:

(i) use regenerative and other low-cost, low-input methods (including traditional agricultural methods) suited to local environmental and socio-economic conditions;

(ii) feature close consultation with, and the involvement of, local people at all stages of project design and implementation, with full cognizance given to gender roles in agricultural production in order to ensure the full integration of women into development activities; and

(iii) incorporate, wherever feasible, the efforts of local-level government and non-governmental organizations.

(3) Protection and enhancement of the natural resource base, bio-diversity, and energy for development -

(A) **Environment and natural resources.** Promoting those agricultural and industrial methods suited to local environmental, resource, and climatic conditions, and supporting actions designed to help nations protect and manage their environments and sustain and enhance their renewable natural resource base through:

(i) **primary emphasis on small-scale, affordable, resource-conserving, low-risk local projects, using appropriate technologies (including traditional agricultural methods) suited to local environmental, resource, and climatic conditions; and**

(ii) **close consultation with, and involvement of, local people** at all stages of project design and implementation, with emphasis given to grants for local-level government organizations and for non-governmental organizations.

(B) **Sustainable energy use and the prevention of global warming.** Promoting with recipient countries cooperative programs of energy production and conservation that are directed toward the earliest practicable development and use of energy technologies that are environmentally acceptable, require minimum capital investment, are most acceptable to and affordable by the people using them, and are simple and inexpensive to use and maintain.

(C) **Biological diversity, protected species and ecosystems.** Assisting recipient countries in:

(i) **protecting and maintaining wildlife habitats and in developing sound wildlife management and plant conservation programs; and**

(ii) **supporting efforts to identify, establish and maintain a representative network of critical protected ecosystems, including but not limited to tropical forests, wetlands and coastal marine resources on a worldwide basis.**

(4) Community-based health care and education -

(A) **Health.** Improving health conditions in order to improve the quality of life of the people and their ability to contribute to sustainable social and economic development and growth, with **special emphasis on building the capacity and knowledge of local people to manage their own health care** and on helping to meet the health needs of all people, with particular attention to high-risk populations, including mothers, infants and children, through self-sustaining community-based primary health-care and disease-prevention programs that include:

(i) **the promotion and implementation of activities and services that deal with the special health needs of infants, children and mothers.** Such activities and services should utilize simple, available technologies that can significantly reduce childhood and maternal malnutrition, mortality and morbidity, such as immunization, oral rehydration, safe water, and programs in nutrition, sanitation, and child spacing. Priority should be on strengthening the capacity and infrastructure of local communities for ensuring the health of children, emphasizing the critical role of women as the caretakers of family health, and targeting those countries with the highest infant mortality rates;

(ii) **the promotion and support of programs that focus on the special health needs of women, dramatically improving their ability to safely bear and raise healthy children, and of girls, particularly in nutrition, anemia and reproductive education.** Recognizing that female health is so often dependent on social status, it is critical that women have access to education that can be key to increasing such status and hence greater control over their own health. Support should be provided in this regard to women's organizations that respond to and promote an understanding of the special health needs of women;

(iii) **the promotion of programs that focus on disease prevention and control; and**

(iv) **promotion of programs that enhance the training, skills and status of community-based health workers, many of whom are women, who work at the local level to build community involvement and self-reliant systems for local health management.**

(B) **Education.** Improving the relevance to production and the efficiency of education, with substantial attention given to:

(i) **improving basic literacy and numeracy, especially to those outside the formal education system;**

(ii) **improving primary education; and**

(iii) **the extension of equal opportunities at all educational levels for girls and women.**

(5) Promotion of decentralized, democratic development -

(A) **Broad-based involvement.** Supporting activities undertaken by women and other disadvantaged populations.

(B) **Capacity building.** Strengthening the institutional infrastructure for development at the local, regional and national levels by:

(i) supporting the programs of, and financing technical and managerial assistance for, non-governmental and public-sector organizations engaged in participatory, equitable and sustainable development activities;

(ii) giving particular attention to those non-governmental organizations that fully incorporate poor women in their work; and

(iii) **supporting institutions and programs in sub-Saharan Africa, in countries emerging from political and social conflict, and in other nations in which such institutions and programs are weak but directly represent or incorporate poor women and men and/or respond effectively to their expressed needs.**

(C) **Building from below.** Supporting development activities, including those undertaken collaboratively by institutions in the public, non-governmental and private sectors, that build upon effective efforts carried out by organizations at the local level in a participatory manner.

(D) **Consultative process.** Underwriting processes of consultation at the local, regional and national levels by public authorities with organizations representative of a broad spectrum of civil society for the purposes of building a political consensus around development strategies and ensuring the relevance and quality of development projects, programs and policies and the planning thereof.

VI. United States Agency for International Cooperation

(1) **Statutory agency.** The U.S. Agency for International Development should be renamed the U.S. Agency for International Cooperation and should be an agency of the United States under the foreign policy guidance of the Secretary of State.

(2) **Purpose.** It should be the purpose of the Agency to direct the U.S. bilateral programs of support for democratic reform abroad and of overseas disaster relief and humanitarian assistance and to coordinate assistance efforts, where appropriate, with the Board of Governors of the Development Assistance Administration (DAA), which should be responsible, within the Agency, for carrying out a program of development assistance.

(3) **Bureau of Disaster Relief and Humanitarian Assistance.** Within the Agency, the Bureau of Disaster Relief and Humanitarian Assistance should provide emergency bilateral assistance in these areas and should:

(A) provide resources directly to non-governmental organizations and U.S. private and voluntary organizations (PVOs) to support their efforts in these areas; and

(B) transfer funds, upon the direction of the Agency Administrator and the approval of the Board of the Development Assistance Administration, to the DAA for the purpose of formulating and implementing programs of such assistance in a manner designed to engender long-term sustainable development.

(4) **Bureau for Democratic Reforms.** The Bureau for Democratic Reforms should provide support for electoral, judicial, institutional and other democratic reforms abroad not directly related to the promotion of economic and social development and should, upon the direction of the Agency Administrator and the approval of the Board of the Development Assistance Administration, transfer funds to the DAA for the purpose of supporting development-related democratic reforms.

VII. The Development Assistance Administration

(1) **Establishment.** There should be established as a public corporation within the U.S. Agency for International Cooperation, the Development Assistance Administration, which should serve as the principal vehicle for the provision of U.S. bilateral support for the development efforts of the countries and people of the developing world, Eastern Europe and the Newly Independent States.

(2) **Purpose and functions -**

(A) It should be the purpose of the DAA to pursue the policies and to provide assistance in those priority areas delineated above and identified through systematic consultation with local populations. Furthermore, **the DAA should:**

(i) **build upon the work, funding, learning and local-level relationships of the Inter-American and African Development Foundations and private and voluntary organizations** in order to make its assistance relevant to the needs, priorities and capacities of local-level populations and organizations in recipient countries;

(ii) **invest in the organizations of civil society that support the efforts of small producers in both the rural and urban sectors, enhance community and family well-being,** and in other ways promote development that is sustainable, equitable and more self-reliant;

(iii) **encourage and support development efforts in the public and non-governmental sectors that build at the municipal, provincial and, where appropriate, national levels upon successful participatory endeavors at the local level** so as to extend the reach of effective programs;

(iv) **support the scaling up of effective participatory projects** and other endeavors undertaken by cooperatives, credit unions, community associations, and farmers', workers', women's and other local non-governmental organizations and coalitions or federations thereof;

(v) **expand the capacity, role and responsiveness to local priorities and self-help efforts of local government by supporting creative development programs undertaken by local authorities in consultation and/or collaboration with citizens' organizations** in the non-governmental sector;

(vi) **support efforts by institutions of national government that have a demonstrated capacity to respond effectively to local priorities and work with local organizations** to provide needed assistance, services, credit and infrastructure and that are deemed relevant and effective by those organizations;

(vii) **in so funding at the local, sub-regional and national levels, bolster democracy and enhance developmental effectiveness by expanding local involvement in social and economic decisionmaking and increasing public-sector responsiveness and accountability;**

(viii) encourage and support national and local processes of consultation with local populations and organizations by governments in preparation for the identification, design and implementation of development projects and economic-policy-reform programs and ensure that those perspectives are reflected in the formulation of the international economic policies of the U.S. Government; and

(ix) implement, through appropriate host-country institutions in a manner designed with those institutions to engender long-term sustainable development, programs of humanitarian assistance and disaster relief with resources transferred from the Agency's Bureau of Disaster Relief and Humanitarian Assistance at the behest of the Administrator.

(B) The DAA should not receive or utilize Economic Support Funds or other funds authorized and appropriated as security-supporting assistance, which should be managed and applied separately by the State Department for non-developmental purposes. Local currencies generated through the sale of those funds and designated by the Secretary of State for development assistance purposes, should be transferred to, and utilized independently by, the DAA for the purposes designated in this Act.

(3) **Funding.** The Development Assistance Administration should receive line-item appropriations from the U.S. Congress.

(4) **Governance** -

(A) The management of the Development Assistance Administration should be vested in a Board of Governors composed of nine members appointed by the President, by and with the advice and consent of the Senate. Six members of the Board, including the Chair, should be appointed from private life, including two representatives from the non-government development or environment community, two other leaders from the non-profit sector, and two additional citizens with extensive grassroots development experience. The other three members of the Board should include: the Administrator of the Agency for International Cooperation and the presidents of the Inter-American Foundation and the African Development Foundation so that the DAA can benefit from local-level learning and program coordination. No more than five members of the Board should belong to any one political party. Members should be appointed for terms of six years; of those first appointed, three should serve for terms of two years and three for terms of four years.

(B) The Board should report to the Administrator of the Agency for International Cooperation and to the Congress and should protect the independence and integrity of the DAA, which should be respected by the Secretary of State and by the Administrator.

(C) The Board should appoint a Director of the DAA, who should be responsible to the Board and for the day-to-day operations of the institution. The Director should have prior grassroots development experience.

(5) **Structure and staffing.** The headquarters of the DAA should be in or near Washington, D.C. and should have the minimal core staff required for policy-related purposes and for the provision of support to field staff. **The majority of staff should be deployed for periods of at least five years to small provincial field offices and should have extensive experience in socio-economic and grassroots development. The work of these officers should be coordinated by regional offices responsible for assistance activities in two or more countries or, where appropriate, by a national office.** Administrative demands from Washington should be kept to a minimum so that field responsibilities can be concentrated at the provincial and local levels. Staff working at these levels should carry out the Foundation's programmatic responsibilities and should elicit the local input required for program and policy planning and the preparation of program and policy planning documents at the national and regional levels and at DAA headquarters.

(6) **Center for Private and Voluntary Cooperation**

(A) **Establishment.** There should be established within the Development Assistance Administration a Center for Private and Voluntary Cooperation through which all monies made available by the U.S. Government to U.S. private and voluntary organizations (PVOs) for development assistance purposes should pass.

(B) **Governance.** The Center should be governed by a Director, who should, in conjunction with the Agency Administrator, select appropriate staff experienced in grassroots development.

(C) **Purpose.** The purpose of the Center is to provide U.S. PVOs access to public resources, under criteria that ensure that their utilization of those resources contribute to development process abroad as defined above, in a manner that protects their private, voluntary and independent status.

(D) **Functions.** The Center's functions should include, but not be limited to:

(i) developing basic policies, procedures and criteria for programs and projects in support of and through PVOs;

(ii) establishing the criteria and maintaining a central register of U.S. PVOs;

(iii) **encouraging full cooperation with local non-profit, non-governmental organizations on the part of U.S. PVOs**, particularly in the area of institutional strengthening, including the upgrading of management skills and capacity for project identification, design, implementation, and evaluation;

(iv) **providing institutional strengthening grants, matching grants and other central support for U.S. PVOs, cooperatives and credit unions**, including:

(a) grants the purpose of which is to allow U.S. PVOs, in conjunction with local populations and non-governmental organizations, to design, plan and implement development and humanitarian assistance projects in accordance with the objectives set out above;

(b) grants, the purpose of which is to allow PVOs to serve as conduits for the expression of local perspectives in the design, planning and implementation of development and humanitarian projects, programs and policies supported by the Agency, the DAA, and other institutions of the U.S. Government; and

(c) grants the purpose of which is to strengthen the project identification, design, planning, management, implementation and evaluation skills of U.S. PVOs;

(v) **directing programs of development education to the U.S. public concerning the causes and effects of hunger and poverty around the world; and**

(vi) initiating studies, analyses and programs for assessing the effectiveness and impact of such private organizations.

(E) **Provision of support.** In order to protect the independent nature of these organizations, **the Center should not provide more than 50 percent of any one PVO's annual program budget nor cover more than 75 percent of the cost of any one project.** Furthermore, longer-term, **program grants should be made available to organizations that have demonstrated their effectiveness overseas,** maintained modest administrative overheads, and require programmatic flexibility. **The Center may receive, and provide to U.S. PVOs, funds transferred to the DAA from the Agency's Bureau of Disaster Relief and Humanitarian Assistance for the purpose of engendering long-term sustainable development.**

(7) **Provision of assistance -**

(A) **The DAA should provide program and project assistance to the most capable institutions, in terms of their relative experience in participatory development and their relative capacity to manage funds, from among all public and non-governmental organizations** to enable them to better design, undertake and/or support development activities consistent with the guidelines provided above.

(B) In providing assistance, the DAA should respond to initiatives by and proposals from the most qualified institutions, as described above.

(C) **In countries of sub-Saharan Africa, in countries emerging from political and social conflict, and in other nations with weak institutional infrastructure, support should be given to institutions, organizations and programs that directly represent or incorporate poor women and men and/or have the potential to respond effectively to their expressed needs.**

(D) In order to carry out its mandate, the DAA should be able to make grants, loans and loan guarantees to qualified institutions and should streamline application and reporting requirements to reduce the burden on staff and on local institutions.

(8) **Procurement and contracting.** Preference should be given in the use of aid monies to the purchase of appropriate goods and services in the aid-receiving country and in neighboring countries so as to make available project inputs consistent with local needs, capabilities and modes of development. Preference should also be given to the contracting of local consultants and other firms and individuals in neighboring countries so as to more consistently tap relevant expertise.

VIII. Regional Foundations

(1) The Inter-American Foundation and African Development Foundation are critical components of the U.S. development assistance program.

(2) The Foundations support local productive, self-help initiatives and participatory processes of change at the local level, enhancing self-reliance, economic progress and democracy, as well as equity and development sustainability, in the countries in which they work.

(3) The Foundations help strengthen programs and institutions at the local level, including those at the community level.

(4) In carrying out this work, the Foundations, along with private and voluntary organizations and other Northern non-governmental organizations, help to create the local institutional and programmatic base upon which the Development Assistance Administration can support the expansion of national capacity to effect sustainable, equitable, participatory and more self-reliant development.

(5) The local-level experience, relationships and knowledge of the Foundations are critical to the understanding of the process of development in the countries in which they work and should be systematically factored into the programming decisions of the DAA and of other U.S. bilateral and multilateral assistance institutions.

IX. Separation of Functions

(1) There should be established within the Department of State an agency that incorporates the structures and functions of the Overseas Private Investment Corporation, the Export-Import Bank, the Trade and Development Program, and other U.S. programs that the President may determine advance U.S. commercial interests without adversely affecting the pursuit of U.S. long-term, overseas development assistance objectives.

(2) All strategic and security-related programs should be the responsibility of the Secretary of State.

(3) In transferring resources to recipient countries under the above-mentioned and other programs, the Secretary of State should not attach conditions related to the economic development of these countries. In this regard, the Secretary should respect the mandate of the Development Assistance Administration to promote the economic well-being of these countries through provision of support for participatory, equitable and sustainable development.

X. Oversight of the International Financial Institutions

(1) The Development Assistance Administration should review and analyze all projects and programs under consideration by the U.S. Executive Directors at the World Bank, International Monetary Fund, and other multilateral development banks and should contribute its analyses and recommendations gleaned from its experience in the countries in question to discussions in the U.S. Government about prospective lending for said projects and programs.

(2) The DAA should make all information about, and its analysis of, the programs and projects under consideration publicly available in the United States and in the recipient countries.

2 May 1995