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**INTER-AMERICAN FOUNDATION
PROJECTS IN ARGENTINA AND HAITI**

A STAFF REPORT
TO THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE



JANUARY 2000

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(II)

LETTER OF TRANSMITTAL

January 13, 2000.

The Honorable JESSE HELMS
*Chairman,
Committee on Foreign Relations*

The Honorable JOSEPH BIDEN
*Ranking Minority Member,
Committee on Foreign Relations*

DEAR SENATOR HELMS AND SENATOR BIDEN:

Following the discovery in late 1998 that the Inter-American Foundation funded groups in Ecuador responsible for kidnapping American citizens, Committee staff increased oversight of the activities of the Foundation. Foreign Relations Committee staff increased its contact with the Foundation's Board of Directors and staff (including attending several board meetings) and increased scrutiny of program notifications sent to the Committee.

As a result of this, other problem grants were discovered. One such grant was to an Argentine group that took over a Catholic Cathedral during a violent street demonstration and held people inside the church hostage while it made demands on the local government. Another grant in Honduras was to a group that lead demonstrations forcing the government to uphold a law it intended to rescind that discriminates against American citizens.

The Foundation implemented procedures with the State Department to attempt to ensure that future grantees are not terrorists, criminals, or anti-American subversives. However, the Foundation has not yet agreed to the Chairman's request that it allow the Central Intelligence Agency to review its current list of grantees to ensure that no other terrorists, criminals, or anti-American subversives are currently receiving funds provided by the U.S. taxpayers.

In response to these and other problems, the fiscal year 2000 Foreign Operations Appropriations bill reduced the Inter-American Foundation's appropriation to \$5,000,000—a \$15,000,000 reduction from the previous fiscal year. As a further indication of Congressional displeasure with the Inter-American Foundation, the bill also authorizes the President to abolish the Foundation. It is not expected that the President will choose to exercise this authority.

On November 30, 1999, you approved my request to travel overseas to visit Inter-American Foundation projects, inasmuch as few, if any, such visits have taken place for many years. From December 4–11, I traveled to Argentina (one of the wealthiest countries where the Foundation operates) and Haiti (the poorest country where the Foundation operates) to evaluate its projects.

The reason for undertaking this review was not based on information about problem grants in these countries, rather it was to evaluate the following: whether desirable results are achieved by current and past Inter-American Foundation projects; whether or not the projects are sustainable; and to what extent the projects have any relation to U.S. interests in two very different countries.

The enclosed trip report describes the projects visited and provides my general impressions. Also included are key findings and recommendations, including my recommendation that Congress seriously consider abolishing the Inter-American Foundation as recommended in the fiscal year 2000 Foreign Operations Appropriations bill.

Sincerely,

G. GARRETT GRIGSBY,
Deputy Staff Director.

CONTENTS

	Page
Letter of Transmittal	iii
Key Findings and Recommendations	1
Argentina	
Map of Argentina	3
Asociacion Civil Nortedur	4
Federacion Asociaciones Centros Educativos para la Produccion Total (FACEPT)	4
Centro de Estudios de Estado y Sociedad (CEDES)	5
Fundacion Universidad Nacional de General Sarmiento (FUNAS)	6
Fundacion ARCOR (FUNARCOR)	7
Fundacion Juan Minetti	7
Instituto para la Cultura, la Innovacion y el Desarrollo (INCIDE)	9
Union de Organizaciones de Base por los Derechos Sociales (UOBDS)	9
Haiti	
Map of Haiti	11
Pwogram Fomasyon pou Organizasyon Dyakona (PWOFOD)	11
Fundacion La Ruche (FLR) (The Beehive Foundation)	12
Haitian Association of Voluntary Agencies	13
Haitian Artisan Committee (CAH)	14
Asosyasyon Transpo Ak Lojistik (ASTRAL)	14
Sere Pou Chofe (SPC)	15
Fondasyon Enstitisyon-yo pou Devlopman ki Soti nan Baz-la (FIDEB)	16
APPENDIX	
A. Inter-American Foundation Legislation	17
Enabling Legislation for the Inter-American Foundation [Partial text of P.L. 91-175] (Part IV of H.R. 14480, Foreign Assistance Act of 1971)	17
Authority to Abolish Inter-American Foundation [Sec. 586 of H.R. 3422] (Appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 2000, and for other purposes)	20
B. Correspondence between Chairman Helms and Inter-American Foundation	22
C. Letter of December 2, 1999 from Chairman Helms to President Clinton	33

KEY FINDINGS AND RECOMMENDATIONS

- The purpose of the Inter-American Foundation is to help poor people in Latin America by implementing small-scale self-help development programs. The enabling legislation of the Inter-American Foundation as well as its Congressional Presentation Document indicate that the purpose of the Foundation is to improve the quality of life of the poorest people of the Western Hemisphere in a direct and cost effective manner. The Foundation distinguishes itself from the Agency for International Development (AID) by stating that it works directly with the poor on projects that beneficiaries design themselves. The Foundation justifies its independence from AID and its existence by claiming to work directly with poor people.
- A majority of Inter-American Foundation projects visited in Argentina and Haiti do not appear to be improving the lives of poor people in a tangible way. While some Inter-American Foundation projects appear to work with the poor directly and have enhanced their quality of life, it appears that most Inter-American Foundation funds are provided either to intermediary organizations or constitute subsidies and are clearly not sustainable. A majority of the projects reviewed during this trip had little or no direct or indirect impact on the lives of the poor. Moreover, some of the project managers admitted this to be the case and spoke about project goals that are designed to support macro policies or social changes which are more in line with the approach of the Agency for International Development or international financial institutions and not the mission of the Foundation. In several instances, it was difficult to ascertain the purpose of a project or how it could reasonably lead to tangible and direct quality of life improvements for poor people. It appeared that poor people themselves rarely designed and participated in the formulation of project proposals.
- The Inter-American Foundation funds a number of organizations that can operate successfully without U.S. taxpayer support. A number of the projects visited in Argentina receive substantial financial support from other organizations or are well endowed by corporate sponsors and do not require additional U.S. taxpayer assistance. While some of these activities have merit, it is also a fair question to ask whether these projects should be supported with U.S. taxpayer funds when sufficient private sector support is forthcoming.
- Many of the organizations visited would not exist absent substantial funding from the Inter-American Foundation and should not be described as grassroots organizations. Many organizations supported by the Foundation are not sustainable because they lack genuine grassroots appeal and because they lack an income generation component or adequate and predict-

able sources of income from other than the Inter-American Foundation. Additionally, many of the projects visited did not reach the poor directly but rather benefitted relatively well-to-do employees of non-government organizations. Significant resources are provided for the salaries of project managers and employees of these organizations rather than to the poor people whom the Foundation purports to assist.

- The Foundation should reconsider whether it is appropriate to operate in Argentina, which is prospering economically and has a high standard of living compared to other Latin American countries where the Foundation operates. With limited foreign assistance funds and far higher levels of poverty elsewhere, the United States Government should not be providing foreign aid to countries such as Argentina, which have achieved a high level of economic development.
- Congress should seriously consider abolishing the Inter-American Foundation as recommended in the fiscal year 2000 Foreign Operations Appropriations bill. One of the reasons Congress gave consideration to establishing a small foreign aid agency to benefit directly the poorest-of-the-poor in Latin America was because Soviet-supported Cuban insurgents were making headway in poor communities in Latin America where AID programs were having no impact in the late 1960s. Given the end of the Cold War, one of the fundamental rationales for the existence of the Inter-American Foundation has disappeared. Furthermore, the concept of working with non-governmental organizations may have been novel 30 years ago, but it is clear that most, if not all, of the legitimate projects funded by the Inter-American Foundation today would be eligible for support from the Agency for International Development or other public or private international development agencies. While operating differently from the Foundation, the Peace Corps has a solid record of working to help poor people in foreign countries at the grassroots level and could accomplish many of the results the Foundation seeks to obtain. Moreover, the Peace Corps would likely do so in a more cost effective and people-to-people approach. A senior U.S. Government official in one of the countries visited bluntly stated that the Inter-American Foundation “is not a player” in the U.S. Government’s economic development strategy for that country. AID officials in Washington have also privately made similar points. Given the Foundation’s lack of relevance to U.S. foreign policy and international development strategy, its redundancy in light of the programs AID and the Peace Corps currently carry out, the end of the Cold War, its recent funding of terrorists and anti-American subversives, as well as the problems illustrated in this report, Congress should seriously consider following through on the recommendation in the fiscal year 2000 Foreign Operations Appropriations bill to abolish the Inter-American Foundation (See appendix A, page 20, for the text of the legislation).

Argentina



Map of Argentina (Source: CIA)

Asociacion Civil Nortesur
 (North/South Civil Association)
Buenos Aires, Argentina
Inter-American Foundation grant: \$394,590

On Monday, December 6, I met with two representatives from the North/South Civil Association at the Inter-American Foundation's regional office in Buenos Aires. According to the Foundation's project notification documents, the Association will administer a project to improve the quality of life in four low-income municipalities of Argentina.

The documents enumerate the purpose of the project activities, which are summarized as follows: (1) train training teams; (2) cofinance socioeconomic development initiatives; (3) generate and promote integrated management information systems; (4) train municipal employees, civic, and business leaders; (5) design and install documentation centers; (6) carry out pilot projects; and (7) conduct training and technical assistance activities. Inter-American Foundation funds will cover salaries, training, publications, administrative support, and pilot projects.

Unfortunately, after several hours of discussion, I was unable to ascertain exactly what the Association actually does, how the project activities directly or indirectly benefit poor people, or what its accomplishments are to date. The description of the project by Association representatives was heavy on theoretical concepts and devoid of specific examples of how the lives of poor people are improved or in any meaningful manner affected by the project. The impression was left that the vast majority of resources provided by the Foundation are expended on seminars and meetings attended by mid-level Argentine municipal bureaucrats.

While some grassroots Argentine organizations may be involved with the project at some level and, therefore, derive some intangible benefit (although that was never made clear during the meeting), it is not accurate to describe the Association's activities as having any measurable positive impact on the lives of poor people. Given the description of the activities, it is also difficult to understand how the results of the project can be measured.

Federacion Asociaciones Centros Educativos para la Produccion
 Total (FACEPT)
 (Federation of Educational Centers and Associations for Total Production)
Buenos Aires, Argentina
Inter-American Foundation grant: \$300,000

The meeting with FACEPT occurred at the Argentine Ministry of Education with a FACEPT representative who was previously a consultant with the Ministry. FACEPT promotes a method of educational instruction which alternates periods of study at school with home stays, where students apply what they have learned. The Argentine Government has adopted this method of educational instruction in a number of rural areas in an effort to stem the migration of young people from rural to urban centers.

According to Inter-American Foundation project notification documents, the Foundation will fund salaries, consultants, training,

travel, per diem, educational materials, a revolving loan fund to support income-generating projects, and a database. The central component of the project, however, appears to be the revolving loan fund, the operation of which was well described and easily understood.

The revolving loan fund is a \$55,000 pool of money used to make loans not to exceed \$2,000 each to graduates of schools that use FACEPT's educational program. The loans are made to sons and daughters of farmers for a variety of agricultural projects. Project proposals are submitted by graduates to the local FACEPT board of directors which is comprised of interested local adults with an expertise in agriculture. These loans are made essentially to support family farms since, according to FACEPT's representative, Argentine banks do not make small loans to family farmers.

After our meeting with the FACEPT representative, we visited one such board of directors that was discussing recently received proposals. The board was comprised of parents (farmers) of past graduates, local government officials and other agricultural experts. All the proposals were of an agricultural nature designed to help increase the productivity of the family farm.

As some of the members of the board of directors were parents of past graduates, it gave us an opportunity to meet some past beneficiaries of the program. It was clear that these farmers were not the desperately poor *campesinos* one would expect the Inter-American Foundation to assist. Rather, they appeared to be middle class farmers not unlike the average family farmer in the United States who might be in need of some technical assistance.

While this project seems to be having a positive impact on individuals in rural areas, which is its goal, it does not appear that the assistance necessarily supports poor people. It is, therefore, difficult to understand why the Foundation chose to fund FACEPT. Furthermore, given the relative wealth of Argentina as compared to other Latin America economies, the Argentine Government's official acceptance of FACEPT's educational methods, and the support of local Argentine Government officials, it is difficult to argue that FACEPT cannot carry out its program absent Inter-American Foundation funding.

Centro de Estudios de Estado y Sociedad (CEDES)

(Center for Studies of the State and Society)

Buenos Aires, Argentina

Inter-American Foundation grant: \$291,750

This grant is the fourth provided to CEDES by the Inter-American Foundation. CEDES is the Argentine affiliate of Johns Hopkins University International Comparative Research project on the Third Sector (non-government organizations). CEDES is the recipient of generous funding from such institutions as the Argentine National Council for Scientific and Technical Research, Canada's International Development Research Center, and the Ford, Mellon, MacArthur, and Kellogg Foundations of the United States.

Inter-American Foundation funding helps support three CEDES studies on corporate philanthropy which are designed to (1) review the philanthropic activities of U.S. companies in Argentina; (2) sur-

vey and analyze fundraising techniques of Argentine non-government organizations; and (3) identify factors leading to greater transparency in the philanthropic practices of corporations and foundations. Specifically, the Foundation covers the costs of salaries, travel, per diem, dissemination of its studies, and some administrative expenses.

CEDES cited as results of its Inter-American Foundation supported project that it was instrumental in the American Chamber of Commerce instituting a corporate citizen award, and raising the visibility of the issue of corporate philanthropy in Argentina.

This project appears to support indirectly the Inter-American Foundation's new emphasis on working with the corporate community in Latin America on development projects. While CEDES' findings will be interesting and perhaps generate some pressure on the private sector to help improve the quality of life for poor people, it has no immediate or direct impact on the lives or income of poor people, nor does it claim to do so. Accordingly, it is difficult to understand why the Foundation would choose to support such a project whose purpose is so different from the Foundation's generally understood mandate to help poor people at the grassroots level.

Fundacion Universidad Nacional de General Sarmiento (FUNAS)
 (The General Sarmiento National University Foundation)
Buenos Aires, Argentina
Inter-American Foundation grant: \$250,000

The President of the Universidad Nacional de General Sarmiento and the Director of FUNAS met with us at the Inter-American Foundation regional office in Buenos Aires. For the past two years, FUNAS' predecessor (Instituto del Conurbano) has been conducting participatory assessments of community needs and problems within seven local municipalities.

Using Inter-American Foundation funds, FUNAS plans to disseminate the results of the assessments of its predecessor and provide training and technical assistance to facilitate public-private partnerships among various community organizations. Specifically, Foundation funding will cover costs for consultants, equipment, material, supplies, documentation and dissemination of the assessments, and travel.

As with the North/South Civil Association, it was difficult to ascertain exactly what FUNAS does, how the project directly or indirectly benefits poor people, or what its accomplishments are. Simply put, FUNAS seems to undertake studies, conduct seminars, and issue reports for the benefit of local municipal officials and interested non-government organizations.

It does not appear that FUNAS works with grassroots organizations as these are generally defined and understood. As described by FUNAS representatives, their organization's activities only impact the lives of poor people (if at all) indirectly and incidentally.

Fundacion ARCOR (FUNARCOR)
(The ARCOR Foundation)
Cordoba, Argentina

Inter-American Foundation grant: \$240,000

FUNARCOR is the philanthropic foundation of ARCOR S.A.I.C., a 50-year old, one billion dollar Argentine candy corporation with more than 30 plants in five countries, employing more than 10,000 people. In 1991, ARCOR spun off its philanthropic activities to FUNARCOR in order "to identify and work toward solutions that will support the needs of local communities in particular and of Argentine society in general".

Between 1991 and 1994, FUNARCOR provided more than one million dollars for research grants and projects in health, nutrition, education, and culture. FUNARCOR concentrates on projects that involve the family and local community in youth development and which are sustainable and replicable.

The Inter-American Foundation's involvement with FUNARCOR is an example of the Foundation's new emphasis on working with the private sector in Latin America to address development problems. Inter-American Foundation and FUNARCOR funds will help establish a development fund to provide grants to community-based organizations to carry out health, youth, and non-formal education projects. FUNARCOR and Inter-American Foundation will also collaborate to promote greater social responsibility within the Argentine corporate community by producing publications and conducting seminars.

The FUNARCOR project I visited on Tuesday, December 7, was located in a shanty town on the outskirts of Cordoba, Argentina's second largest city. The project was a child care center where working mothers can drop off their children to stay while they are at work. The center provides lunch and activities for the children. Inter-American Foundation funds are used to train the women who operate the 44 centers in nutrition, food preparation, and hygiene. FUNARCOR also works with the Catholic church and other groups to provide the 44 centers with food and supplies.

The FUNARCOR project directly involves the lives of poor people, especially children. FUNARCOR representatives stated that they benefitted from their association with the Inter-American Foundation because they were so new to development/philanthropic work. Specifically, they have learned from the Foundation about the importance of measuring the results of projects and about the methods to do so.

In the very near future, FUNARCOR will have learned all that it needs to know from the Inter-American Foundation, and the only role for the Foundation will be to provide additional funds, which in this case, is not needed.

Fundacion Juan Minetti
(The Juan Minetti Foundation)
Cordoba, Argentina

Inter-American Foundation grant: \$348,100

The Juan Minetti Foundation is the philanthropic arm of Juan Minetti S.A., one of the largest cement companies in Latin America

employing 840 people located at its facilities throughout Argentina. The Juan Minetti Foundation was established in 1987, and it conducts programs and provides grant support in the areas of education and social development.

The Inter-American Foundation and the Juan Minetti Foundation have entered into a partnership to promote social responsibility and resource mobilization within the corporate sector. They have established the *Tendiendo Puentes* fund through which they provide support to non-government organizations carrying out development projects. After meeting with several members of the board of directors (the daughter and granddaughter of Juan Minetti and the Foundation's staff) at its headquarters in Cordoba, we visited an organization that assists street children and which receives Inter-American Foundation funding through the Minetti Foundation administered *Tendiendo Puentes* development fund.

The children being assisted are not homeless, rather, they are generally school dropouts and those at risk of quitting school before graduation. They spend the day on the streets of Cordoba hustling to make several dollars. The organization supported by the Foundation oversees a program that produces and circulates a magazine written, produced, and delivered by street children. The magazine reports on issues confronting street children and sells for one dollar. The magazine is well known throughout the region and has won critical acclaim. The children are supposed to sell the magazine on the streets instead of participating in their usual schemes to earn money, although we were told that many sell the magazine and also hustle for additional money by shining shoes, washing car windows, or begging.

The organization's facility is a house in a poor section of Cordoba where activities are carried out after school hours. (While the targets of the program are dropouts, they are required to attend school or study to pass an equivalency exam to graduate in order to participate in the program.) There were a number of computers used for desktop publishing, a small printing press, and a classroom.

Tendiendo Puentes funds are used by this organization to conduct classes in conjunction with the magazine so that dropouts can eventually graduate. Several young people have participated in this program and have graduated from high school.

The Inter-American Foundation's involvement with the Juan Minetti Foundation is another successful example of its new emphasis on working with the private sector and corporate sectors on development projects. While the project visited is only one of many funded by the *Tendiendo Puentes* development fund, it clearly is one which directly impacts the lives of poor disadvantaged children.

As in the case with FUNARCOR, the Inter-American Foundation will soon impart all the knowledge and skills necessary for the Juan Minetti Foundation to support independently successful projects. Foundation funding is not necessarily essential given the Juan Minetti Foundation's impressive track record of philanthropic activities, in addition to the fact that a majority of the Minetti company was recently purchased by a Swiss firm that provides generous financial support to the Juan Minetti Foundation. In light of its financial position, and given the success of its programs, the

Juan Minetti Foundation should be considered for graduation from Inter-American Foundation assistance in the near future.

Instituto para la Cultura, la Innovacion y el Desarrollo (INCIDE)
(Institute for Culture, Innovation and Development)

Cordoba, Argentina

Inter-American Foundation grant: \$146,700

INCIDE is a non-profit organization dedicated to assisting grass-roots organizations in northern Argentina. INCIDE has provided technical assistance to poor farmers as well as local governments and other non-government organizations.

Inter-American Foundation funding will allow INCIDE to strengthen the capacity of local governments and non-government organizations to plan and carry out local development projects. Specifically, the Foundation will finance salaries, training, technical assistance, and dissemination of information on project activities.

The project activities described that use Inter-American Foundation funds focused on training for poor farmers so that they can more successfully produce and market their products. INCIDE concentrates on the poorest region of Argentina where crops are difficult to grow and little or no infrastructure exists to enable farmers to transport their products to market. INCIDE representatives appeared to be dedicated to working strictly with the poor on solutions relevant to the everyday problems faced by the poor in rural northern Argentina.

INCIDE expressed difficulty in measuring the results of their work due to the nature of their training—which they described as “leadership training”—which may not result in the immediate solution of problems. They expressed confidence that their training program was beneficial to poor farmers and INCIDE is working with the Inter-American Foundation to determine the best ways to measure the results of their work.

Union de Organizaciones de Base por los Derechos Sociales
(UOBDS)

(Confederation of Base Organizations for Social Rights)

Cordoba, Argentina

Inter-American Foundation grant: \$256,476

UOBDS is a former grantee of the Inter-American Foundation whose support was suspended after it organized violent demonstrations in Cordoba, in which the local Catholic Cathedral was taken over and the people in the church were taken hostage while certain demands were made on the government (see appendix B, on page 29, a July 14, 1999 letter concerning this episode from Chairman Jesse Helms to the Chairman of Inter-American Foundation Board of Directors). This meeting was scheduled in order to evaluate the sustainability of organizations previously supported by the Foundation.

The subject of the violent demonstrations was not discussed with UOBDS as it was obviously a sensitive point of contention. UOBDS did not discuss its current activities, but made an obvious plea to heal its relationship with the Inter-American Foundation in order to be eligible for additional funding.

UOBDS members made clear their opposition to former President Menem's economic policies and predicted that the policies of the new government would not satisfy them either. Rather, they candidly expressed their opposition to the free market approach which has greatly improved the Argentine economy claiming that poor people are worse off because of these policies. Based on this short meeting, it is difficult to understand why the Inter-American Foundation chose to provide funding to UOBDS in the first instance and how this grant was in any way in the interests of the United States.

(A meeting was also requested with another former Inter-American Foundation grantee in Argentina which received at least \$404,655 in U.S. taxpayer funded grants: the Programa Habitat in Buenos Aires. This grant was made to rehabilitate a dilapidated building in the San Telmo district of Buenos Aires and to convert the building, occupied by unemployed squatters, into condominiums for the squatters that would be self-supporting through rental income from shops that would occupy its first floor. But after an extensive search by the Inter-American Foundation's regional office and by the U.S. Embassy, no one from the organization could be found. It was later determined that Programa Habitat no longer exists. In response to questions raised by the Foreign Relations Committee, the Foundation stated that no improvements were ever made to the building although \$404,655 was provided to Programa Habitat.)

Haiti



Map of Haiti (Source: CIA)

Pwogram Fomasyon pou Organizasyon Dyakona (PWOFOFOD)

Formation Program for Organizations in Dyakona

Port-au-Prince, Haiti

Inter-American Foundation grant: \$173,227

PWOFOFOD is a private Haitian non-government organization which began operations during the U.S. embargo to help better the lives of poor Haitians. It is an outgrowth of the U.S.-based Christian Reform World Relief Committee (CRWRC), which has operated in Haiti since 1976. PWOFOFOD works with church laymen and women to improve the economic and social well being of the poor through education and training, specifically in the areas of adult literacy and community banking.

Inter-American Foundation funds will be used to finance a micro-credit fund and to cover the costs of the literacy program, local de-

velopment project investment, construction, education, and training, and program operation and administration. The micro-credit fund made 20 loans in 1999, will make 30 this year, and 50 in 2001. Church leaders identify reliable and trustworthy potential borrowers who already operate a business and wish to expand their operations.

After visiting PWOFOFOD headquarters the morning of Thursday, December 9, we visited several recipients of micro-credit loans. The first recipient was a young man who used the funds to help market honey which his family produces in the Central Plateau region of Haiti. That same evening, we visited a woman who used her loan funds to help organize and operate a school that teaches women how to cook, sew, and carry out other similar activities. The young man is an active member of a church whose leaders are associated with PWOFOFOD and the woman was the wife of a pastor. Both were considered excellent credit risks and they seemed to be enthusiastic about the program.

Additionally, Inter-American Foundation funds have been used to build a second floor to PWOFOFOD's headquarters. CRWRC paid for the construction of a third floor. PWOFOFOD intends to rent the second and third floors of its office and use the revenue to support its programs. They appeared to be serious about the sustainability of their program, and the construction project is a direct result of this approach.

PWOFOFOD's headquarters are well organized and its representatives appear to be professional and motivated. Their program objectives are understandable and there is no doubt that the main beneficiaries of the project are poor Haitians who are learning the skills necessary to improve their quality of life. Of all the grassroots organizations visited, PWOFOFOD seemed to understand the need to diversify its sources of income from local and foreign contributors with the goal of becoming sustainable and self-sufficient. If PWOFOFOD operations are successful and it continues to gain additional financial support, it may not be long before it graduates from Inter-American Foundation assistance.

Fundacion La Ruche (FLR)
 (The Beehive Foundation)
Port-au-Prince, Haiti
Inter-American Foundation grant: \$255,940

The Beehive Foundation was founded by Edwige Balutansky, whose father was a U.S. Marine in Haiti during the 19-year U.S. occupation and who married and stayed in Haiti. Ms. Balutansky is a journalist by training and traveled widely for the Reuters News Agency before starting the Beehive Foundation in Port-au-Prince.

According to Inter-American Foundation briefing documents, the mission of the Beehive Foundation is to promote and make accessible development information for socially responsible journalism and to disseminate information on development methods. The main focus of the program is to encourage businesses to support development activities.

Ms. Balutansky expressed great frustration with the current political and economic situation in Haiti and with the lack of understanding about economic and social development among Haitian business leaders. The Beehive Foundation established a board of directors comprised of prominent Haitian businessmen who appeared to support the concept of development. However, after working with the board of directors for a year, it became apparent to the Beehive Foundation that the businessmen wanted to contribute only to those projects that would directly benefit their businesses—usually as a means to publicize a company's support for good works in poor neighborhoods.

As there is not yet a Beehive Foundation demonstration project established as an example to the businessmen, the Beehive Foundation, using Inter-American Foundation funding, is starting a program in Jacmel on the southern coast of Haiti which will assist poor farmers and fishermen to market their goods.

The Beehive Foundation's history illustrates the many obstacles facing organizations and individuals working on development projects in Haiti. Ms. Balutansky candidly discussed her problems working with businessmen who have mixed motives concerning their involvement in development projects. Furthermore, she found that many businessmen were cynical and pessimistic about Haiti's economic and political future. Most Haitian businessmen expressed the opinion that it is not worth the money and effort to support development activities inasmuch as they count on the political and economic conditions in Haiti deteriorating, even if funding for these activities are not wasted or misappropriated, which is their expectation.

The other main obstacle for the Beehive Foundation and others is that the vast majority of grassroots organizations have become corrupted and politicized since the return of Jean-Bertrand Aristide and the Lavalas political party to Haiti, according to Ms. Balutansky, who was an Aristide supporter until he returned and the situation did not improve.

While the intentions of the Beehive Foundation are admirable, and the sincerity of Ms. Balutansky to help Haiti is unquestionable, there is little to show for the Inter-American Foundation contribution thus far. Ms. Balutansky acknowledged this fact, but stated the view that Haiti is in such a miserable condition—economically, politically, environmentally, and in nearly every other respect—that quick results cannot be expected. Nevertheless, results must be forthcoming or the Foundation should seriously consider whether its resources could not be better used elsewhere.

Haitian Association of Voluntary Agencies
Port-au-Prince, Haiti
Former Inter-American Foundation grantee

In response to my request to meet with past Inter-American Foundation grantees to access the sustainability of their projects in the absence of Foundation funding, a meeting with Philippe Becoulet was arranged. Mr. Becoulet is a former board member of the Haitian Association of Voluntary Agencies (HAVA) and is currently Director of the Intermediate Technology Group of Haiti.

HAVA, which was an umbrella organization of Haitian non-government organizations, carried out a variety of projects for the Inter-American Foundation, including the provision of legal services for poor Haitians, the operation of a credit fund, and the management of a training program. HAVA received at least \$1,149,353 from the Inter-American Foundation between 1985 and 1995.

Rather than discuss HAVA's past and current programs, Mr. Becoulet told me why he thought the Inter-American Foundation and funding agencies like it are important, and lamented various problems currently confronting the Foundation.

According to the Inter-American Foundation representative in Haiti, HAVA only exists on paper and it is not carrying out any projects. HAVA is an example of an unsustainable program supported by the Inter-American Foundation, that, after receiving an enormous amount of money (by both Haitian and Inter-American Foundation standards), ceased to exist once Inter-American Foundation funding ended.

Haitian Artisan Committee (CAH)

Port-au-Prince, Haiti

Former Inter-American Foundation grantee

The Haitian Artisan Committee is another former recipient of Inter-American Foundation funds. From 1980 to 1983 it received \$48,500 to market handicrafts. The Committee currently operates a well furnished arts and crafts store in Port-au-Prince catering to tourists. It also exports its products to the United States and Europe.

CAH is an Inter-American Foundation graduate whose operations are demonstrably sustainable. In fact, CAH appears to be thriving—its facility is attractive and it had an excellent selection of handicrafts for sale. There were a number of people on hand making purchases. Besides providing a living for those working at the store, its operations support many artisans who depend on CAH to sell their products. This is an example of sustainable grassroots development that appears to have generated tangible results.

Asosyasyon Transpo Ak Lojistik (ASTRAL)

(Association for Transportation and Logistics)

Papaye, Haiti,

Inter-American Foundation grant: \$109,750

On Friday, December 10, I visited ASTRAL's headquarters in Papaye, Haiti which is several miles outside of Hinche in Haiti's Central Plateau region. ASTRAL is a cooperative that imports bicycles and bicycle parts from Taiwan and assembles and sells them throughout Haiti. ASTRAL's first order from Taiwan occurred this past year and was for about 800 bicycles. The day of our meeting, ASTRAL had placed an order for an additional 750 bicycles.

Inter-American Foundation funds will be used to help ASTRAL decentralize its operations, purchase tools and materials, and provide basic training for ASTRAL's bicycle assembly operations.

ASTRAL sells bicycles through a network of other cooperatives in 24 locations throughout Haiti. The bicycles are on consignment, and Jean-Baptiste Bazalais, the project coordinator, admitted that

a major problem confronting ASTRAL is payment by the 24 affiliate cooperatives for the bicycles that they sell. It appears that at least three people were employed assembling bicycles at this location.

According to ASTRAL, the cooperative makes a very small profit from the \$85–\$100 price of each bicycle. Many of the bicycles are sold in large quantities to other cooperatives or organizations, although Mr. Bazelais insisted that individuals also make purchases (Haiti's gross domestic product per capita is \$330, according to the World Bank).

Given the small profit ASTRAL makes on each sale, and the difficulty in obtaining payment for bicycles it does sell, there are serious questions as to whether ASTRAL can remain in business absent long-term Inter-American Foundation funding. Accordingly, this is another example of the provision of subsidies for a project that, as currently operated, cannot function absent long-term and sustained Inter-American Foundation financial support.

Sere Pou Chofe (SPC)
(Credit Cooperative Network)

Papaye, Haiti

Inter-American Foundation grant: \$151,225

After visiting ASTRAL, I visited Sere Pou Chofe, a cooperative savings and loan society also located in Papaye, Haiti. During our visit, SPC was conducting a meeting of its members, so there was an opportunity to exchange views on its project activities.

SPC makes loans to its members based on the amount of funds invested in the organization by its members. Apparently, a loan can be made for practically any purpose. As an example of the flexibility, one member said that it helps pay for the first communion of a child, another SPC member volunteered that it helps cover the costs of funerals (in Haiti, a funeral may be one of the largest single expenses incurred by a family). The diversity of what constitutes grassroots development activities was astonishingly broad.

Inter-American Foundation funding will pay for project training, publication, and administrative costs. More importantly, Foundation funds will match SPC funds on a 2:1 basis with regard to contributions made to its Capital Access Fund. The Inter-American Foundation also intends to match savings by members in an Investment Challenge Fund on a 1:4 basis.

SPC is a grassroots, self-help organization helping poor people in rural Haiti. However, based on information provided during the meeting, it is evident that not all of SPC's activities can be considered "self help," as the term is generally defined, since some loans are made to support nonproductive activities in which repayment is less likely and whose purpose, from a development perspective, is questionable. Bearing this in mind, there is a legitimate concern about the sustainability of SPC's activities absent continued funding from outside sources such as the Inter-American Foundation.

Fondasyon Enstitisyon-yo pou Devlopman ki Soti nan Baz-la
(FIDEB)
(Foundation of Institutions for Development and Education at the
Grassroots)

Port-au-Prince, Haiti

Inter-American Foundation grant: \$143,480

Upon returning to Port-au-Prince on Friday evening, I met with the Foundation of Institutions for Development and Education at the Grassroots, which dispenses grants to small grassroots and civil society organizations in Haiti. The Inter-American Foundation has provided \$143,480 to FIDEB, which has been operating less than two years. Over half of the Foundation's grant is allocated to a pool of funds from which FIDEB makes grants; the other half pays for education and training programs. Individual members of the FIDEB board of directors are responsible for oversight of the projects in their respective region.

According to FIDEB representatives, small grassroots groups present proposals to finance development projects to the FIDEB board of directors and the best projects are selected and funded. All of the projects are in rural areas, and no project is larger than \$1,500. Projects usually receive additional support from the grassroots organization itself as well as from the local authorities. Typical projects include repairing a road or bridge, building a small school, building a public park, or digging a well.

FIDEB will support about 20 projects annually during a three-year period. Currently, the Inter-American Foundation is the only source of funding for FIDEB. While the FIDEB board of directors agreed with my recommendation that it identify additional sources of funding, they readily admitted that they had made no effort and there were no plans to do so.

While no FIDEB projects were actually visited, the presentation by FIDEB's board of directors led me to believe that its grants may have the potential to benefit poor Haitians, although measuring results is not this organization's strong point. There also appears to be a lack of emphasis on a self-help component to the projects supported. Most importantly, since FIDEB's approach to development is to provide grants, and since the Inter-American Foundation is its only source of funding, FIDEB's activities and the organization itself are not sustainable. When the Inter-American Foundation ceases its support for FIDEB, that will also be the end of FIDEB projects and the organization will have to discontinue operations.

APPENDIX

A.—Inter-American Foundation Legislation

ENABLING LEGISLATION FOR THE INTER-AMERICAN FOUNDATION [PARTIAL TEXT OF P.L. 91-175] (PART IV OF H.R. 14480, FOREIGN ASSISTANCE ACT OF 1971)

PART IV—THE INTER-AMERICAN FOUNDATION ACT

SEC. 401 INTER-AMERICAN FOUNDATION.—(a) There is created as an agency of the United States of America a body corporate to be known as the Inter-American Foundation (hereinafter in this section referred to as the “Foundation”).

(b) The future of freedom, security, and economic development in the Western Hemisphere rests on the realization that man is the foundation of all human progress. It is the purpose of this section to provide support for developmental activities designed to achieve conditions in the Western Hemisphere under which the dignity and the worth of each human person will be respected and under which all men will be afforded the opportunity to develop their potential, to seek through gainful and productive work the fulfillment of their aspirations for a better life, and to live in justice and peace. To this end, it shall be the purpose of the Foundation, primarily in cooperation with private, regional, and international organizations, to—

- (1) strengthen the bonds of friendship and understanding among the peoples of this hemisphere;
- (2) support self-help efforts designed to enlarge the opportunities for individual development;
- (3) stimulate and assist effective and ever wider participation of the people in the development process;
- (4) encourage the establishment and growth of democratic institutions, private and governmental, appropriate to the requirements of the individual sovereign nations of this hemisphere.

In pursuing these purposes, the Foundation shall place primary emphasis on the enlargement of educational opportunities at all levels, the production of food and the development of agriculture, and the improvement of environmental conditions relating to health, maternal and child care, family planning, housing, free trade union development, and other social and economic needs of the people.

(c) The Foundation shall carry out the purposes set forth in subsection (b) of this section primarily through and with private organizations, individuals, and international organizations by undertaking or sponsoring appropriate research and by planning, initiating, assisting, financing, administering, and executing programs and projects designed to promote the achievement of such purposes.

(d) In carrying out its functions under this section, the Foundation shall, to the maximum extent possible, coordinate its undertakings with the developmental activities in the Western Hemisphere of the various organs of the Organization of American States, the United States Government, international organizations, and other entities engaged in promoting social and economic development of Latin America.

(e) THE FOUNDATION, AS A CORPORATION.—

- (1) shall have perpetual succession unless sooner dissolved by an Act of Congress;
- (2) may adopt, alter, and use a corporate seal, which shall be judicially noticed;
- (3) may make and perform contracts and other agreements with any individual, corporation, or other body of persons however designated whether within or without the United States of America, and with any government or governmental agency, domestic or foreign;

(4) shall determine and prescribe the manner in which its obligations shall be incurred and its expenses, including expenses for representation (not to exceed \$10,000 in any fiscal year), allowed and paid;

(5) may, as necessary for the transaction of the business of the Foundation, employ, and fix the compensation of not to exceed one hundred persons at any one time;

(6) may acquire by purchase, devise, bequest, or gift, or otherwise lease, hold, and improve, such real and personal property as it finds to be necessary to its purposes, whether within or without the United States, and in any manner dispose of all such real and personal property held by it and use as general funds all receipts arising from the disposition of such property;

(7) shall be entitled to the use of the United States mails in the same manner and on the same conditions as the executive departments of the Government;

(8) may, with the consent of any board, corporation, commission, independent establishment, or executive department of the Government, including any field service thereof, avail itself of the use of information, services, facilities, officers, and employees thereof in carrying out the provisions of this section;

(9) may accept money, funds, property, and services of every kind by gift, devise, bequest, grant, or otherwise, and make advances, grants, and loans to any individual, corporation, or other body of persons, whether within or without the United States of America, or to any government or governmental agency, domestic or foreign, when deemed advisable by the Foundation in furtherance of its purposes;

(10) may sue and be sued, complain, and defend, in its corporate name in any court of competent jurisdiction; and

(11) shall have such other powers as may be necessary and incident to carrying out its powers and duties under this section.

(f) Upon termination of the corporate life of the Foundation all of its assets shall be liquidated and, unless otherwise provided by Congress, shall be transferred to the United States Treasury as the property of the United States.

(g) The management of the Foundation shall be vested in a board of directors: (hereafter in this section referred to as the "Board") composed of 6 members appointed by the President, by and with the advice and consent of the Senate, one of whom he shall designate to serve as Chairman of the Board and one of whom he shall designate to serve as Vice Chairman of the Board. Six members of the Board shall be appointed from private life. Three members of the Board shall be appointed from among officers or employees of agencies of the United States concerned with inter-American affairs. Members of the Board shall be appointed for terms of six years, except that of the members first appointed two shall be appointed for terms of two years and two shall be appointed for terms of four years, as designated by the President at the time of their appointment. A member of the Board appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term; but upon the expiration of his term of office a member shall continue to serve until his successor is appointed and shall have qualified. Members of the Board shall be eligible for reappointment. All individuals appointed to the Board shall possess an understanding of and sensitivity to community level development processes. No more than 5 members of the Board may be members of any one political party.

(h) Members of the Board shall serve without additional compensation, but shall be reimbursed for travel expenses, including per diem, in lieu of subsistence, in accordance with section 5703 of title 5, United States Code, while engaged in their duties on behalf of the corporation.

(i) The Board shall direct the exercise of all the powers of the Foundation.

(j) The Board may prescribe, amend, and repeal bylaws, rules, and regulations governing the manner in which the business of the Foundation may be conducted and in which the powers granted to it by law may be exercised and enjoyed. A majority of the Board shall be required as a quorum.

(k) In furtherance and not in limitation of the powers conferred upon it, the Board may appoint such committees for the carrying out of the work of the Foundation as the Board finds to be for the best interests of the Foundation, each committee to consist of two or more members of the Board, which committees, together with officers and agents duly authorized by the Board and to the extent provided by the Board, shall have and may exercise the powers of the Board in the management of the business and affairs of the Foundation.

(l)(1) The chief executive officer of the Foundation shall be a President who shall be appointed by the Board of Directors on such terms as the Board may determine. The President shall receive compensation at the rate provided for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

(2) Experts and consultants, or organizations thereof, may be employed as authorized by section 3109 of title 5, United States Code.

(m) In order to further the purposes of the Foundation there shall be established a Council to be composed of such number of individuals as may be selected by the Board from among individuals knowledgeable concerning developmental activities in the Western Hemisphere. The Board shall, from time to time, consult with the Council concerning the objectives of the Foundation. Members of the Council shall receive no compensation for their services but shall be entitled to reimbursement in accordance with section 5703 of title 5, United States Code, for travel and other expenses incurred by them in the performance of their functions under this subsection.

(n) The Foundation shall be a nonprofit corporation and shall have no capital stock. No part of its revenue, earnings, or other income or property shall inure to the benefit of its directors, officers, and employees and such revenue, earnings, or other income, or property shall be used for the carrying out of the corporate purposes set forth in this section. No director, officer, or employee of the corporation shall in any manner directly or indirectly participate in the deliberation upon or the determination of any question affecting his personal interests or the interest of any corporation, partnership, or organization in which he is directly or indirectly interested.

(o) When approved by the Foundation, in furtherance of its purpose, the officers and employees of the Foundation may accept and hold offices or positions to which no compensation is attached with governments or governmental agencies of foreign countries.

(p) The Secretary of State shall have authority to detail employees of any agency under his jurisdiction to the Foundation under such circumstances and upon such conditions as he may determine. Any such employee so detailed shall not lose any privileges, rights, or seniority as an employee of any such agency by virtue of such detail.

(q) The Foundation shall maintain its principal office in the metropolitan Washington, D.C., area. The Foundation may establish agencies, branch offices, or other offices in any place or places outside the United States in which the Foundation may carry on all or any of its operations and business.

(r) The Foundation, including its franchise and income, shall be exempt from taxation now or hereafter imposed by the United States, or any territory or possession thereof, or by any State, county, municipality, or local taxing authority.

(s)(1) Notwithstanding any other provision of law, not to exceed an aggregate amount of \$50,000,000 of the funds made available for the fiscal years 1970 and 1971 to carry out part I of the Foreign Assistance Act of 1961 shall be available to carry out the purposes of this section. Funds made available to carry out the purposes of this section under the preceding sentence are authorized to remain available until expended.

(2) There are authorized to be appropriated \$28,800,000 for the fiscal year 1992 and \$31,000,000 for the fiscal year 1993 to carry out this section.

For necessary expenses to carry out the provisions of sections 103 through 106, and chapter 10 of part I of the Foreign Assistance Act of 1961, title V of the International Security and Development Cooperation Act of 1980 (Public Law 96-533) and the provisions of section 401 of the Foreign Assistance Act of 1969, \$1,225,000,000, to remain available until September 30, 2000: Provided, That of the amount appropriated under this heading, up to \$20,000,000 may be made available for the Inter-American Foundation and shall be apportioned directly to that Agency:
* * *

(t) The Foundation shall be subject to the provisions of the Government Corporation Control Act.

(u) When, with the permission of the Foundation, funds made available to a grantee under this section are invested pending disbursement, the resulting interest is not required to be deposited in the United States Treasury if the grantee uses the resulting interest for the purposes for which the grant was made. This subsection applies with respect to both interest earned before and interest earned after the enactment of this subsection.

(v) Funds made available to the Foundation may be used for the expenses described in section 1345 of title 31 of the United States Code (relating to travel, transportation, and subsistence expenses for meetings).

(w) Funds made available to the Foundation may be used for printing and binding without regard to section 501 of title 44, United States Code.

AUTHORITY TO ABOLISH INTER-AMERICAN FOUNDATION [SEC. 586 OF H.R. 3422] (APPROPRIATIONS FOR FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2000, AND FOR OTHER PURPOSES)

ABOLITION OF THE INTER-AMERICAN FOUNDATION

SEC. 586. (a) DEFINITIONS.—In this section:

(1) DIRECTOR.—The term “Director” means the Director of the Office of Management and Budget.

(2) FOUNDATION.—The term “Foundation” means the Inter-American Foundation.

(3) FUNCTION.—The term “function” means any duty, obligation, power, authority, responsibility, right, privilege, activity, or program.

(b) ABOLITION OF INTER-AMERICAN FOUNDATION.—During fiscal year 2000, the President is authorized to abolish the Inter-American Foundation. The provisions of this section shall only be effective upon the effective date of the abolition of the Inter-American Foundation.

(c) TERMINATION OF FUNCTIONS.—

(1) Except as provided in subsection (d)(2), there are terminated upon the abolition of the Foundation all functions vested in, or exercised by, the Foundation or any official thereof, under any statute, reorganization plan, Executive order, or other provisions of law, as of the day before the effective date of this section.

(2) REPEAL.—Section 401 of the Foreign Assistance Act of 1969 (22 U.S.C. 6290f) is repealed upon the effective date specified in subsection (j).

(3) FINAL DISPOSITION OF FUNDS.—Upon the date of transmittal to Congress of the certification described in subsection (d)(4), all unexpended balances of appropriations of the Foundation shall be deposited in the miscellaneous receipts account of the Treasury of the United States.

(d) RESPONSIBILITIES OF THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET.—

(1) IN GENERAL.—The Director of the Office of Management and Budget shall be responsible for—

(A) the administration and wind-up of any outstanding obligation of the Federal Government under any contract or agreement entered into by the Foundation before the date of the enactment of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2000, except that the authority of this subparagraph does not include the renewal or extension of any such contract or agreement; and

(B) taking such other actions as may be necessary to wind-up any outstanding affairs of the Foundation.

(2) TRANSFER OF FUNCTIONS TO THE DIRECTOR.—There are transferred to the Director such functions of the Foundation under any statute, reorganization plan, Executive order, or other provision of law, as of the day before the date of the enactment of this section, as may be necessary to carry out the responsibilities of the Director under paragraph (1).

(3) AUTHORITIES OF THE DIRECTOR.—For purposes of performing the functions of the Director under paragraph (1) and subject to the availability of appropriations, the Director may—

(A) enter into contracts;

(B) employ experts and consultants in accordance with section 3109 of title 5, United States Code, at rates for individuals not to exceed the per diem rate equivalent to the rate for level IV of the Executive Schedule; and

(C) utilize, on a reimbursable basis, the services, facilities, and personnel of other Federal agencies.

(4) CERTIFICATION REQUIRED.—Whenever the Director determines that the responsibilities described in paragraph (1) have been fully discharged, the Director shall so certify to the appropriate congressional committees.

(e) REPORT TO CONGRESS.—The Director of the Office of Management and Budget shall submit to the appropriate congressional committees a detailed report in writing regarding all matters relating to the abolition and termination of the Foundation. The report shall be submitted not later than 90 days after the termination of the Foundation.

(f) TRANSFER AND ALLOCATION OF APPROPRIATIONS.—Except as otherwise provided in this section, the assets, liabilities (including contingent liabilities arising from suits continued with a substitution or addition of parties under subsection (g)(3)), contracts, property, records, and unexpended balance of appropriations, authorizations, allocations, and other funds employed, held, used, arising from, available to,

or to be made available in connection with the functions, terminated by subsection (c)(1) or transferred by subsection (d)(2) shall be transferred to the Director for purposes of carrying out the responsibilities described in subsection (d)(1).

(g) SAVINGS PROVISIONS.—

(1) CONTINUING LEGAL FORCE AND EFFECT.—All orders, determinations, rules, regulations, permits, agreements, grants, contracts, certificates, licenses, registrations, privileges, and other administrative actions—

(A) that have been issued, made, granted, or allowed to become effective by the Foundation in the performance of functions that are terminated or transferred under this section; and

(B) that are in effect as of the date of the abolition of the Foundation, or were final before such date and are to become effective on or after such date, shall continue in effect according to their terms until modified, terminated, superseded, set aside, or revoked in accordance with law by the President, the Director, or other authorized official, a court of competent jurisdiction, or by operation of law.

(2) NO EFFECT ON JUDICIAL OR ADMINISTRATIVE PROCEEDINGS.—Except as otherwise provided in this section—

(A) the provisions of this section shall not affect suits commenced prior to the date of the abolition of the Foundation; and

(B) in all such suits, proceedings shall be had, appeals taken, and judgments rendered in the same manner and effect as if this section had not been enacted.

(3) NONABATEMENT OF PROCEEDINGS.—No suit, action, or other proceeding commenced by or against any officer in the official capacity of such individual as an officer of the Foundation shall abate by reason of the enactment of this section. No cause of action by or against the Foundation, or by or against any officer thereof in the official capacity of such officer, shall abate by reason of the enactment of this section.

(4) CONTINUATION OF PROCEEDING WITH SUBSTITUTION OF PARTIES.—If, before the date of the abolition of the Foundation, the Foundation, or officer thereof in the official capacity of such officer, is a party to a suit, then effective on such date such suit shall be continued with the Director substituted or added as a party.

(5) REVIEWABILITY OF ORDERS AND ACTIONS UNDER TRANSFERRED FUNCTIONS.—Orders and actions of the Director in the exercise of functions terminated or transferred under this section shall be subject to judicial review to the same extent and in the same manner as if such orders and actions had been taken by the Foundation immediately preceding their termination or transfer. Any statutory requirements relating to notice, hearings, action upon the record, or administrative review that apply to any function transferred by this section shall apply to the exercise of such function by the Director.

(h) CONFORMING AMENDMENTS.—

(1) AFRICAN DEVELOPMENT FOUNDATION.—Section 502 of the International Security and Development Cooperation Act of 1980 (22 U.S.C. 290h) is amended—

(A) by inserting “and” at the end of paragraph (2);

(B) by striking the semicolon at the end of paragraph (3) and inserting a period; and

(C) by striking paragraphs (4) and (5).

(2) SOCIAL PROGRESS TRUST FUND AGREEMENT.—Section 36 of the Foreign Assistance Act of 1973 is amended—

(A) in subsection (a)—

(i) by striking “provide for” and all that follows through “(2) utilization” and inserting “provide for the utilization”; and

(ii) by striking “member countries;” and all that follows through “paragraph (2)” and inserting “member countries.”;

(B) in subsection (b), by striking “transfer or”;

(C) by striking subsection (c);

(D) by redesignating subsection (d) as subsection (c); and

(E) in subsection (c) (as so redesignated), by striking “transfer or”.

(3) FOREIGN ASSISTANCE ACT OF 1961.—Section 222A(d) of the Foreign Assistance Act of 1961 (22 U.S.C. 2182a(d)) is repealed.

(i) DEFINITION.—In this section, the term “appropriate congressional committees” means the Committee on Appropriations and the Committee on Foreign Relations of the Senate and the Committee on Appropriations and the Committee on International Relations of the House of Representatives.

(j) EFFECTIVE DATES.—The repeal made by subsection (c)(2) and the amendments made by subsection (h) shall take effect upon the date of transmittal to Congress of the certification described in subsection (d)(4).

B.—Correspondence Between Chairman Helms and Inter-American Foundation

JUNE 15, 1998 LETTER FROM CHAIRMAN HELMS TO MARIA OTERO, FORMER CHAIRMAN OF THE BOARD OF DIRECTORS

June 15, 1998.

The Honorable Maria Otero,
Chairman, Inter-American Foundation,
733 15th Street, N.W., Suite 700.
Washington, D.C. 20005.

DEAR MS. OTERO: As you will recall, several staff members of the Inter-American Foundation came by on April 14 to give us the facts about the embarrassing spectacle of the Inter-American Foundation's actually providing cash grants—underwritten by the U.S. taxpayers—to groups in Ecuador clearly identified by the U.S. State Department to be terrorist organizations.

I am fully aware that these organizations kidnapped Americans and threatened their lives, as well as the lives and safety of other U.S. citizens while extorting money from them. I am confident that the able staff of the Foreign Relations Committee conveyed my profound concern about such outrageous abuse and misuse of U.S. taxpayers' money.

Needless to say, it is inexcusable that these groups received IAF funding in the first place. And it is an outrage that one of the groups continued, to receive funds after the U.S. Embassy in Quito determined that these were terrorist groups. The funding, I understand, continued until my associates strenuously objected to it on April 14.

I have been assured that steps are being taken to prevent this sort of outrage from reoccurring. To this end, the U.S. Senate Foreign Relations Committee will appreciate receiving from you a detailed report of your new guidelines and procedures as well as the findings of any review.

I trust you will undertake to make certain that no other terrorist or subversive groups are now, nor will in the future, receive U.S. taxpayer funds via the Inter-American Foundation.

Sincerely,

JESSE HELMS.

cc: The Honorable Mitch McConnell
The Honorable Sonny Callahan
The Honorable Madeleine Albright
The Honorable Neil Offen
The Honorable Harriet Babbitt
The Honorable Jeffrey Davidow
The Honorable Nancy Dorn
The Honorable Mark Schneider
The Honorable Patricia Hill Williams
The Honorable Frank Yturria

JUNE 29, 1998 REPLY OF MARIA OTERO, FORMER CHAIRMAN OF THE BOARD OF DIRECTORS OF THE INTER-AMERICAN FOUNDATION TO JUNE 15, 1998 LETTER FROM CHAIRMAN HELMS, WITH ENCLOSURES

*Inter-American Foundation,
June 29, 1998.*

The Honorable Jesse Helms,
Chairman, Senate Foreign Relations Committee,
SD-450 Dirksen Senate Office Building,
Washington, DC 20515.

DEAR MR. CHAIRMAN: I have reviewed your letter of June 15, 1998, concerning the financial support that the Inter-American Foundation provided to the Coordinadora de Organizaciones Indigenas de the Cuenca Amazonica (COICA), the

Confederación de Nacionalidades Indígenas de la Amazonia Ecuatoriana (CONFENIAE), and the Organización de Pueblos Indígenas de la Pastaza (OPIP).

As expressed to your staff by the President of the Inter-American Foundation on April 14, 1998, the Inter-American Foundation regrets that these former Inter-American Foundation grantee organizations engaged in activities that are abhorrent to the values of the American people. To that end, when the management of the Inter-American Foundation became aware of these organizations' activities, with the endorsement of the Board of Directors of the Inter-American Foundation, the management of the Inter-American Foundation undertook immediate and prudent measures to cease support to these organizations and to convey the displeasure of the Inter-American Foundation. I have enclosed, for your information, a copy of a public statement issued by the Inter-American Foundation on this matter on April 14, 1998. In addition, on June 8, 1998, the Board of Directors also ratified the course of action undertaken by the management of the Inter-American Foundation concerning this matter. I have also attached a copy of this resolution for your review.

I regret that the Inter-American Foundation grantees engaged in these activities and can assure you that measures have been employed to ensure that similar incidents are not repeated in the future. To that end, the Inter-American Foundation has revised its grant approval process and will coordinate more closely with the Embassies of the United States throughout Latin America and the Caribbean. In addition, the President of the Inter-American Foundation recently wrote to each United States Ambassador in Latin America and the Caribbean to furnish detailed and current information on the grant portfolio and activities of the Inter-American Foundation.

I have also requested that the President of the Inter-American Foundation review the procedures through which the Inter-American Foundation seeks cross-reference and background information about grant proponents and report his recommendations to me. I would be pleased to share these findings with you when this exercise is completed.

Please know that I share your concerns fully, and will work to ensure that incidences such as those which transpired in Ecuador are not repeated.

Sincerely,

MARIA OTERO,
Chair.

Enclosure

cc: The Honorable Madeleine Albright
The Honorable Mitch McConnell
The Honorable Sonny Callahan
Board of Directors of the Inter-American Foundation

Enclosure 1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INTER-AMERICAN FOUNDATION

JUNE 8, 1998

WHEREAS the Inter-American Foundation, an agency of the United States Government, is committed to the promotion of peaceful, equitable, and self-help development efforts within a civil society framework;

WHEREAS the Inter-American Foundation opposes any threatening tactics, intimidation, threats, or violence as legitimate means of any organization to achieve its institutional objectives;

WHEREAS the Inter-American Foundation considered wholly unacceptable the use of intimidation by the Coordinadora de Organizaciones Indígenas de la Cuenca Amazonica (COICA), and violence by the Confederación de Nacionalidades Indígenas de la Amazonia Ecuatoriana (CONFENIAE), and the Organización de Pueblos Indígenas de la Pastaza (OPIP);

WHEREAS the Inter-American Foundation determined that all Inter-American Foundation financial support to these organizations should cease;

WHEREAS the Board of Directors ratifies that the management of the Inter-American Foundation acted in an appropriate and professional manner by ceasing financial support to Inter-American Foundation grantees COICA, CONFENIAE, and OPIP;

WHEREAS the Embassy of the United States in Quito, Ecuador, fully supports the decision of the Inter-American Foundation to cease financial support to COICA, CONFENIAE, and OPIP in the wake of the use of intimidation by COICA against a U.S. citizen and because of the support for the abduction of two Americans by members of CONFENIAE and OPIP;

NOW, THEREFORE, be it resolved that the Board of Directors unanimously supports the actions undertaken by the management of the Inter-American Foundation to cease financial support of its former grantees COICA, CONFENIAE, and OPIP and reaffirms that the Inter-American Foundation should cease any financial support of organizations that engage in intimidation threats of violence, or violence to accomplish their institutional objectives regardless of the merits of those goals.

Enclosure 2

STATEMENT BY THE INTER-AMERICAN FOUNDATION

On June 27, 1996, the Coordinadora de Organizaciones Indigenas de la Cuenca Amazonica (COICA), which at that time was a grantee of the Inter-American Foundation, issued a press release which states that:

The Coordinative Council of COICA declares Mr. Loren Miller to be an enemy of indigenous peoples in the nine states of the Amazon Basin and prohibits his entrance or that of any official or technical assistant of the International Plant Medicine Corporation to any Amazonian indigenous community, and will not be responsible for the consequences to their physical safety should they choose to ignore this resolution.

In February 1997, the Confederacion de Nacionalidades Indigenas de la Amazonia Ecuatoriana (CONFENIAE), which at that time was a grantee of the Inter-American Foundation, and which is a member of COICA, participated in the armed kidnapping of two American citizens among several others in Ecuador who were held captive for a two million dollar ransom.

The Inter-American Foundation learned of these events in early 1998. Shortly after, Inter-American Foundation officials met with representatives of COICA and CONFENIAE on February 2 and 3, 1998, to request a clarification of the threatening language set forth in COICA's June 27, 1996 press release and a subsequent resolution adopted by COICA members during a conference held in Guyana in May of 1997. Officials of both COICA and CONFENIAE described the language of the June 1996 press release as "excessive" and agreed to the inappropriateness of these statements. However, both organizations have failed to clarify these offensive statements.

In March 1998, the United States Embassy in Quito issued a public statement which declares the threats in the press release issued by COICA to be "a repugnant, illegal action" and a "terrorist threat." The U.S. Embassy also has condemned the participation of organizations affiliated with COICA, including CONFENIAE, in the kidnapping of two Americans in Ecuador.

The Inter-American Foundation did not terminate funding to COICA or CONFENIAE. Rather, the grants to these organizations expired as scheduled on December 31, 1997, before the Inter-American Foundation was informed of COICA's resolution or CONFENIAE's involvement in the kidnapping of Americans in 1997.

The Inter-American Foundation does not have, and has at no time expressed, an opinion regarding COICA's dispute with the U.S. citizen regarding his acquisition of a U.S. patent on the Ayahuasca plant. Moreover, the Inter-American Foundation does not represent this U.S. citizen or any private party with regard to patent issues in Ecuador.

As an agency of the Government of the United States, the Inter-American Foundation is committed to the promotion of peaceful, equitable, and self-help development efforts within a civil society framework. Accordingly, the Inter-American Foundation opposes any threatening tactics, intimidation, or threats of violence as a legitimate means for any organization to achieve its institutional objectives.

APRIL 20, 1999 LETTER FROM CHAIRMAN HELMS, SENATOR CHUCK HAGEL, AND SENATOR PAUL COVERDELL TO MARIA OTERO, FORMER CHAIRMAN OF THE BOARD OF DIRECTORS

April 20, 1999.

The Honorable Maria Otero,
Chairman, Inter-American Foundation,
733 15th Street, N.W., Suite 700.
Washington, D.C. 20005.

DEAR MADAM CHAIRMAN: We genuinely appreciate your staff's efforts to attempt to rectify the intolerable situation of the Inter-American Foundation funding groups *designated by the U.S. State Department as terrorists*. Unfortunately, more needs to be done to assure that this never happens again.

(Enclosed is an April 12, *Washington Times* article disclosing the fact that the terrorists kidnappers who received Inter-American Foundation funds were trained in Cuba.)

Obviously, the Foundation's current grant approval and notification procedures are inadequate and must be strengthened.

To ensure that terrorists, subversive and anti-American groups are not provided with U.S. taxpayers' dollars again, we are considering introducing legislation to require the Foundation to have the U.S. Ambassador or his designee review and approve proposed Inter-American Foundation grants. If it becomes necessary that we proceed with such legislation, we trust that you and the Foundation's board will strongly support it.

Virtually all of the Inter-American Foundation's funding has been provided throughout its history by U.S. taxpayers. It therefore goes without saying that the Foundation's activities must be consistent with, and supportive of, America's foreign policy objectives.

Please let us hear from you whether the Foundation is willing to work with us in strengthening its procedures, thereby protecting U.S. citizens and promoting American interests in Latin America.

Sincerely,

JESSE HELMS,
PAUL COVERDELL,
CHUCK HAGEL.

Enclosure

cc: Board of Directors, Inter-American Foundation
Board of Directors, African Development Foundation
The Honorable Bill Frist

Enclosure

KIDNAPPING THREAT DETERS FEW

BY TOM CARTER

THE WASHINGTON TIMES

AMERICANS TURN TO FBI FOR HELP FREEING HOSTAGES

Every issue of Conde Naste Traveler, Outside magazine and the Sunday travel section carries dozens of slick enticements for Americans to visit the world's most exotic—and dangerous—places.

The publications bring full-color advertisements for African safaris, mountain climbing, rafting and bird watching in Central and South America, trips to Russia and its former republics, hiking in the Middle East, and trekking in Asia—all regions where unsuspecting American travelers have been kidnapped and, in some cases, killed.

But the upscale magazines, which thrive on fantasy, holiday adventure and good times, rarely carry a cautionary tale on the possibility one might become a crime victim. There are no instructions on what family members back home should do if a loved one is grabbed.

Travel industry experts say that even with the well-publicized abductions and killings in Uganda last month, adventure travel bookings are up.

"Overall, our Africa trips are up about 20 percent," said Tom Stanley, director of Africa operations for the Mountain Travel/Sobek adventure travel company.

Exotic destinations abound

Mountain Travel/Sobek took nearly 5,000 people to remote destinations all over the world last year. In 20 years of operations, it has never had a kidnapping. Mr. Stanley said that since the Uganda killings, trips there have been suspended, but climbers traveling to Mount Kilimanjaro in nearby Tanzania have increased.

He said trips are also on hold to Yemen, after four foreign tourists were killed and two were wounded during a botched government rescue attempt in December.

Mr. Stanley said his company suspended travel to Egypt and Cambodia—both of which have suffered attacks on tourists—but is preparing to resume excursions to both.

“The people who travel with us are fairly sophisticated. They know there are risks. I don’t know if adventure travel is any riskier than living in America,” he said. “As far as I’m concerned, the riskiest thing we do overseas is drive.”

Claudia and James Thurber of the District were thrust into the emotionally wrenching world of international kidnapping and foreign intrigue two years ago.

It was 10:45 p.m., Feb. 15, 1997, when the phone rang and they learned of their son’s kidnapping in Ecuador.

“It was Mark’s girlfriend. She said he wouldn’t be coming [to a planned family reunion],” said Mr. Thurber, Mark’s father and a professor at American University.

Tip: Involve the FBI

Mark Thurber, 34, is an expert climber, guidebook author and geologist. He and four of his colleagues were being held for \$3 million ransom along the Peru-Ecuador border by an “anti-development” splinter group of Cuban-trained Achuar Indians.

What the Thurburs did over the next few days ultimately led to their son’s release eight days later, according to professional hostage negotiators and Ann Hagedorn Auerbach, author of “Ransom: The Untold Story of International Kidnapping.”

Without private insurance to pay the \$2,500 a day from private hostage negotiators, most families acquiesce to the State Department.

Experts say that instead, while working with the State Department, the family should insist on bringing in the FBI.

“The Thurburs did it right. Most important, they got the FBI invited in. That was critical,” said Mrs. Hagedorn Auerbach, a former Wall Street Journal reporter who spent three years researching the clandestine world of international kidnapping.

Since 1984 and the passage of the Hostage Taking Statute, the FBI has been responsible for negotiating for the release of American kidnapping victims anywhere on the planet. It is widely accepted that the FBI has the best hostage negotiators in the business. And the service is free to American citizens.

Abductions on the rise

“Unfortunately, kidnapping is a growth business. It is not going to go away,” said Gary Noesner, unit chief of the FBI’s crisis negotiation unit in Quantico, Va. “There is the expectation that every American tourist is a millionaire. . . . I don’t think you’ll see any of my children going off to the rain forest with my permission anytime soon.”

Bringing the FBI in on the kidnapping of an American is not automatic. It is a two-step process.

First, the host country must agree to allow U.S. law enforcement officers to operate in the country. Mr. Noesner said this has never been a problem.

“We bring in experts in negotiation and resources, secure radios and other equipment, and we work with the local law enforcement,” he said. “There may be dozens of other kidnappings they are working on. They are glad to have us.”

Somewhat trickier is step two, which is securing an invitation from the State Department. The FBI can move only after the local U.S. Embassy “invites” the FBI in.

Generally, this is pro forma, but there have been cases in which embassy personnel were reluctant to allow the FBI entry. Mr. Noesner would not comment on this, except to say his unit’s relations with the State Department are “good and getting better.”

Diplomats’ other priorities

But others note the State Department’s primary responsibility is U.S. foreign relations, not the release of an American crime victim.

If there is a turf issue, and the ambassador forbids FBI involvement, as has happened in a few cases, the family can appeal to their congressional representatives, said several experts.

This was echoed by the Thurbers and Mrs. Hagedorn Auerbach, who advised families with out high-level contacts to call their representative or senator immediately and politely insist that they speak with the representative directly.

"A call from a congressman to the State Department usually gets their attention," she said.

When the Thurbers son was kidnapped, even with numerous high-level contact in Washington, the Thurbers spent frustrating hours trying to break through the wall of Washington's diplomatic bureaucracy. Eventually, they were directed to the FBI.

Mr. Noesner said that after a negotiating team is dispatched, the first job is to persuade the kidnappers of reality.

He said the American hostage is often not wealthy, but someone who saved for years to take a once-in-a-lifetime vacation. But kidnappers, whose families can be abysmally poor by U.S. standards, generally view every American "as a walking bank account."

Team has won 60 releases

"It is our job to convince the bad guys the [victim] is not wealthy. How do you convince the kidnapper [the victim] does not have deep pockets?" he asked.

Since its creation in 1990, Mr. Noesner's specialized team has secured the release of more than 60 victims, two as recently as February.

One was an 11-year old boy with dual U.S. and Colombian citizenship who was held for three months in Colombia. The second case was similar, a 6-year-old child with dual U.S.-Honduran citizenship, who was held in Honduras. "As a father, I take these thing personally," Mr. Noesner said.

The FBI negotiated the release of both children unharmed. Neither case was publicized.

"We don't recommend contacting the news media. The bad guys watch TV. If CNN is interviewing a family member in front of a middle class house, maybe with two cars in the driveway, to the kidnapper this guy's rich," Mr. Noesner said.

Private negotiators offered similar counsel

Family should shun publicity

"We are not going to recommend that a client of ours go to the media," said Bob Hoffman, the operations director of the Washington office of Control Risks Group. "If publicity is what the group wants, it is possible that publicity will cause a group to hold the hostage longer. Publicity can make the hostage more valuable, and they might raise the ransom."

The Thurbers persuaded friends in the Washington media to suppress reports of their son's kidnapping.

Although the U.S. government has a policy against negotiating with kidnappers, Mr. Noesner said the FBI will do whatever it can to secure the release of a hostage.

"The U.S. government will not pay ransom, effect policy change or release prisoners," said Mr. Noesner. "We agree with that policy, but without negotiation there is no way to get someone released. Negotiation means dealing with someone, not giving concessions."

He said if the kidnappers want something inconsequential, like food, the FBI will turn it over.

"If some sandwiches will keep these guys talking, and get the release of your daughter, you bet I'm going to give it to them," he said.

Ransom left up to family

As for ransom, he said that is the family's decision.

"FBI policy is that to pay ransom or not is a decision for the family. ... But we tell them the prognosis for release without some payment is not good," Mr. Noesner said.

He said the FBI advises "the least amount paid, in the shortest period of time to effect the release of the victim."

What finally brought the release of Mark Thurber is unknown. At one point, the Ecuadorian military issued a stark warning to the group.

"We don't know everything that went on behind closed doors. We don't even know if a ransom was paid, but I think the credible threat of military action played a role," said Mr. Thurber.

The FBI also will not comment on the Thurber case or the specifics of any other kidnapping. But Mr. Noesner relishes his team's successes.

"Typically our presence will not be known," he said. "We like to be the masked men riding off into the sunset," he said.

APRIL 23 REPLY OF MARIA OTERO, FORMER CHAIRMAN OF THE BOARD OF DIRECTORS OF THE INTER-AMERICAN FOUNDATION TO APRIL 20, 1999 LETTER FROM CHAIRMAN HELMS

INTER-AMERICAN FOUNDATION,
April 23, 1999.

The Honorable Jesse Helms,
Chairman, Senate Foreign Relations Committee,
SD-450 Dirksen Senate Office Building,
Washington, DC 20515.

DEAR MR. CHAIRMAN:

My fellow directors and I have reviewed your letter of April 20, 1999, regarding your concerns about the grant approval and notification procedures employed by the Inter-American Foundation.

As noted in my previous correspondence to you on this matter, the Board of Directors of the Inter-American Foundation also considers the kidnapping incidents that transpired in Ecuador in 1997 to be intolerable and inconsistent with the important grassroots development work carried out by the Inter-American Foundation and the values of the American people. To that end, the Board of Directors adopted a resolution condemning these activities and took corrective measures to ensure that similar occurrences are not repeated in the future.

Specifically, prior to the receipt of your letter of April 20, 1999, the management of the Inter-American Foundation, pursuant to the Board of Directors' instructions, provided the U.S. Ambassador in every country in which the Inter-American Foundation operates with detailed information on currently supported grantee organizations in their respective country of assignment. In addition, Inter-American Foundation staff have been instructed to consult with U.S. Embassy personnel on every field visit made to Latin America and the Caribbean to confer on prospective grant proponents. I also wish for you to know that the Inter-American Foundation provides a summary of every grant it awards to U.S. and host country Ambassadors.

Nevertheless, the Board of Directors concurs with your recommendation that more can be done to strengthen the grant review and approval process of the Inter-American Foundation to avoid unfortunate and isolated incidents similar to those that occurred in Ecuador in 1997. Accordingly, the Board of Directors has directed that the management of the Inter-American Foundation develop refined grant review procedures for consideration by the Board of Directors that include enhanced consultation with State Department and U.S. embassy personnel.

My fellow directors and I also plan to consult with you, other interested Members of Congress, and State Department officials on the written procedures to be implemented by the Inter-American Foundation. These procedures will permit the State Department, prior to the award of any Inter-American Foundation grant, to review the character of grant proponent organizations and to ascertain whether proposed grant activities are consistent with the foreign policy objectives of the United States. In addition, these procedures should enhance coordination among U.S. Government agencies working in the region without affecting the valuable work of the Inter-American Foundation to provide sustainable development assistance to the neediest populations of Latin America and the Caribbean.

Please know that, this matter is a priority for the Inter-American Foundation and that it will be addressed expeditiously. In closing, I wish to thank you and your colleagues for the offer to work closely with the Board of Directors of the Inter-American Foundation to address this concern.

Sincerely,

MARIA OTERO,
Chair.

cc: Board of Directors

JULY 14, 1999 LETTER FROM CHAIRMAN HELMS TO MARIA OTERO, FORMER CHAIRMAN OF
THE BOARD OF DIRECTORS

July 14, 1999.

The Honorable Maria Otero,
Chairman, Inter-American Foundation,
733 15th Street, N.W., Suite 700.
Washington, D.C. 20005.

DEAR MADAM CHAIRMAN: I hope that you recall my mounting concern expressed last year to you regarding the Inter-American Foundation when I learned that it had supported organizations in Ecuador that (1) kidnaped Americans and (2) advocated violence as a means to achieve their objectives.

I have recently learned that the program officer in charge of these grants approached the World Bank seeking support for one of the terrorist groups *after the Foundation had suspended its funding!*

On July 8, the Foundation confirmed to us that it also supported an organization in Argentina that had used illegal and violent tactics to advance its political agenda. Press articles reported, and Foundation management confirmed, that the *Union de Organizaciones de Base por los Derechos Sociales* organized illegal demonstrations, disrupted transportation in the city of Cordoba, Argentina, and commandeered Cordoba's Catholic Cathedral building as its site to protest the policies of the democratically elected local government. (These terrorist activities were being perpetrated by UOBDS at the same time that the Inter-American Foundation was providing them \$256,476 in American taxpayer's money!)

You are aware that my representatives met with the President and General Counsel of the Inter-American Foundation to discuss strengthening your grant review and approval process after learning about the Foundation's activities in Ecuador.

Several weeks ago, Frank Yturria and I met to discuss the troubles at the Foundation. On June 22, Senator McCain included in the State Department authorization bill language to make A.I.D.'s Inspector General also the Inspector General of the Foundation.

On June 24, less than three weeks ago, Senator Hagel and I requested that the General Accounting Office conduct a review of the Foundation's activities and management. All of this occurred *before* it was disclosed that the Foundation had supported yet *another* terrorist organization in another country.

Despite the significant and highly commendable efforts by the Foundation's President and General Counsel to reform practices of the Foundation, it is becoming disturbingly apparent that the Foundation's problems are endemic and may be impervious to reform.

In lieu of my seeking a permanent suspension of funding for the Inter-American Foundation, I request that all organizations currently receiving funds, directly or indirectly, from the Foundation, and that all proposed grantees, be vetted by the Central Intelligence Agency to insure that terrorist, communist or subversive organizations never again receive Foundation funding.

Additionally, the Committee will appreciate your directing the management to conduct a thorough review of the performance of the Foundation's program officers, including whether any of them have met with, or sought support for, terrorist, communist or subversive organizations, and if so, why.

It is very important that you keep me fully apprised of the board's efforts to reform the grant review and approval process.

Sincerely,

JESSE HELMS.

cc: The Honorable Paul Coverdell
The Honorable Chuck Hagel
The Honorable Madeleine Albright
The Honorable George Tenet
Board of Directors

JULY 30, 1999 REPLY OF MARIA OTERO, FORMER CHAIRMAN OF THE BOARD OF DIRECTORS
OF THE INTER-AMERICAN FOUNDATION TO JULY 14, 1999 LETTER FROM CHAIRMAN
HELMS

July 30, 1999.

The Honorable Jesse Helms,
Chairman, Senate Foreign Relations Committee,
SD-450 Dirksen Senate Office Building,
Washington, DC 20515.

DEAR MR. CHAIRMAN: I have reviewed your letter of July 14, 1999, concerning matters related to the administration of the grantmaking program of the Inter-American Foundation.

As you know, the Board of Directors of the Inter-American Foundation was gravely concerned about past Inter-American Foundation support for organizations in Ecuador that engaged in illegal and inappropriate activities. As a consequence, the Inter-American Foundation revised and implemented grant review and approval procedures to ensure that organizations that engage in these types of activities are not supported in the future. Specifically, all Inter-American Foundation grants and grant supplements will be reviewed by the Department of State and the U.S. embassies in which the Inter-American Foundation operates before these grants and grant supplements are awarded by the Inter-American Foundation.

I wish to underscore that the management of the Inter-American Foundation has taken decisive and appropriate action with respect to any grantees that have engaged in any illegal or inappropriate activities. I am, therefore, appreciative of your commendation of the President and the General Counsel of the Inter-American Foundation for their efforts in this regard. It is also my hope that Frank Yturria, the Chairman of the Audit Committee of the Inter-American Foundation, will continue to discuss with you the many recent important enhancements that have been implemented to better administer the grantmaking program of the Inter-American Foundation.

With regard to your specific request that all organizations which currently receive funds from the Inter-American Foundation, directly or indirectly, and all proponent grantee organizations, be vetted by the Central Intelligence Agency, I respectfully request that you permit the Board of Directors the opportunity to review the implications of such a procedure and to respond to you in writing in the near future. I also request additional time to examine ways in which Inter-American Foundation management can prudently conduct a thorough review of the performance of the Inter-American Foundation's program officers and ascertain whether staff have met with or sought to support subversive organizations.

Please know that the Board of Directors and I share your objective of supporting only those initiatives in Latin America and Caribbean that further the interests of the United States. Moreover, I wish to reassure you that the Board of Directors and management of the Inter-American Foundation shall continue to make necessary operational and grantmaking improvements.

I look forward to providing you with additional information and recommendations on the specific matters set forth in your letter of July 14, 1999. I will also keep you fully apprised of the continued efforts of the Board of Directors to reform the grant review and approval process employed by the Inter-American Foundation.

Sincerely,

MARIA OTERO,
Chair.

cc: The Honorable Paul Coverdell
The Honorable Chuck Hagel
The Honorable Madeleine Albright
The Honorable George Tenet
Board of Directors of the Inter-American Foundation

SEPTEMBER 32, 1999 LETTER FROM CHAIRMAN HELMS TO FRANK YTURRIA, MEMBER OF THE BOARD OF DIRECTORS OF THE INTER-AMERICAN FOUNDATION

September 23, 1999.

The Honorable Frank Yturria,
3201 Central Boulevard, Suite 200,
Brownsville, TX 75580.

DEAR FRANK: I hope your health continues to improve. (You certainly looked fit when we got together on June 22.) Please take care of yourself.

Frank, I need your help regarding a critical situation at the Inter-American Foundation:

On July 14, after learning that the Foundation had financed another terrorist organization—this time in Argentina—I wrote to Maria Otero requesting that the Central Intelligence Agency investigate all organizations currently receiving funding directly or indirectly from the Foundation to make certain that terrorist, communist or subversives *never again* receive Foundation funding.

Chairman Otero replied to my letter on July 30 and met with the Foreign Relations Committee staff on September 15 to discuss further my request. Not only has she not agreed to my request, she *strongly opposes* it. She claims it would destroy the Foundation.

Her fear that the continued existence of the Inter-American Foundation is threatened as a result of the CIA's being asked to disclose whether any terrorists, communists or subversives currently receive taxpayers money is inconceivable. But if I am wrong, and the Foundation finds itself unable to give away money to Latin American non-government organizations because of our efforts to protect American citizens and U.S. interests, then I suggest that the Foundation is not worth saving—and non-government organizations rejecting funding do not deserve U.S. taxpayers' money.

As Chairman of the Foreign Relations Committee it would be irresponsible for me to agree to anything less than conferring with our government's most comprehensive intelligence organization—the Central Intelligence Agency—in response to the *kidnapping* of Americans in Ecuador and the *terrorist* activities of a Foundation grantee in Argentina. I will be surprised if any Senator, or a majority of the IAF board, disagrees with me.

Therefore, since I have failed to receive timely action on this matter, I will genuinely appreciate your making a motion at the next board meeting incorporating my original request and insisting on a recorded vote.

Please let me hear from you in this regard.

My best to you and your lovely bride.

Sincerely,

JESSE HELMS.

OCTOBER 12, 1999 REPLY OF FRANK YTURRIA, MEMBER OF THE BOARD OF DIRECTORS OF THE INTER-AMERICAN FOUNDATION TO SEPTEMBER 14, 1999 LETTER FROM CHAIRMAN HELMS, WITH ENCLOSURE.

FRANK D. YTURRIA,
3201 CENTRAL BOULEVARD, SUITE 200,
Brownsville, Texas, 78520.

October 12, 1999.

The Honorable Jesse Helms,
Chairman, Senate Foreign Relations Committee,
SD-450, Dirksen Senate Office Building,
Washington, DC 20515.

DEAR MR. CHAIRMAN: I received your kind letter of September 23, and hope that you are well. Both Mary and I were delighted to have had the opportunity to meet with you during our visit to Washington in June. I hope that we will be able to have lunch together when we are next in Washington.

Mr. Chairman, regarding your request for my assistance, I stand ready to present a resolution to the Board of Directors of the Inter-American Foundation to insist that all current and former organizations that have received, directly or indirectly, funds from the Inter-American Foundation be vetted by the Central Intelligence Agency.

I fully share your outrage that the Inter-American Foundation had supported organizations in South America that kidnapped Americans and held them at gunpoint

in the jungle. In addition, I was equally appalled to learn that the Inter-American Foundation had supported an organization in Cordoba, Argentina, which organized civil disturbances, blockaded highways, and occupied the city's cathedral.

In light of these disturbing and wholly inappropriate activities, I concur with you, Mr. Chairman, that organizations currently or formerly supported by the Inter-American Foundation should be vetted through the Central Intelligence Agency to ensure that the outrageous activities you cite in your letter are never repeated. If the Inter-American Foundation is unwilling to conduct a review of its grant portfolio by competent intelligence Professionals of the Government of the United States, then I question whether it should continue to receive the American taxpayers' resources.

I regret that you have failed to receive a timely response to your sensible proposal and will do everything possible to correct this situation.

Mary joins me in sending you our very best wishes for continued good health.

Sincerely,

FRANK D. YTURRIA.

Enclosure:

Letter from Frank Yturria to Maria Otero

FRANK D. YTURRIA,
3201 CENTRAL BOULEVARD, SUITE 200,
Brownsville, Texas, 78520.

October 12, 1999.

Ms. Maria Otero,
Executive Vice President, ACCION INTERNATIONAL,
733 15th Street, NW, Suite 700,
Washington, D. C. 20005.

DEAR MARIA: On my return from Europe this past weekend I found a letter from Senator Jesse Helms dated September 23, 1999. I enclose a copy of his letter which is self-explanatory.

For the Board to take a position opposed to the Chairman of the Foreign Relations Committee would simply assure the end of the Inter-American Foundation as it presently exists.

Foundation staff's lack of supervision and accountability of grants has resulted in funding of organizations engaged in terrorist activities. The Board of Directors cannot, and must not, appear to wash this under the table and continue business as usual.

The Board has now come to a point where we have no alternative but to agree with the Chairman's call for a complete investigation by the C.I.A. of all organizations currently being funded directly or indirectly by the Foundation. I believe such a review is absolutely necessary. I have been asking for this type of accountability for the past nine years and it is long overdue.

As you might recall, Vice Chairman Neil Offen also called for a comprehensive review of grantees by the intelligence community to ensure that incidents such as those that occurred in Ecuador and Argentina are not repeated. I have to believe that you and the other members of the Board would like to know more about the organizations that the Foundation supports and whether anti-American activities are being supported with U.S. taxpayer funds.

For these reasons, I would like the Board to be polled immediately on this matter for I know that any further delay in responding to Senator Helm's request will surely result in the demise of the Foundation.

I hope to hear from you on this matter very soon.

Sincerely,

FRANK D. YTURRIA.

cc: The Honorable Jesse Helms
Board of Directors

C.—Letter of December 2, 1999 from Chairman Helms to President Clinton*December 2, 1999*

The President,
The White House,
Washington, D.C. 20500.

DEAR MR. PRESIDENT: The across the board spending cut agreed upon before the adjournment of Congress will cost the Agency for International Development approximately \$28.5 million. I strongly recommend using the flexibility provided under the Development Assistance account of Title II of H.R. 4322 to find the \$28.5 million savings within A.I.D.'s budget.

Specifically, I recommend that you withhold \$5 million for the Inter-American Foundation and use it to pay part of the \$28.5 million reduction. You can do this by taking advantage of the language stating that, "up to \$5,000,000 may be made available for and apportioned directly to the Inter-American Foundation ..."

The Foundation currently has \$7.2 million in prior-year unspent appropriations plus nearly \$15 million in off-budget resources for FY 2000. The Foundation's FY 2000 budget request was \$22.3 million. So, even if the Foundation is not provided another dime, it already has as much money in the bank as it requested for FY 2000.

In addition, I suggest that the Office of Personnel Management review staffing positions and grade levels at the Foundation. This is important since most, if not all, of the \$5 million proposed to be transferred to the Foundation would be used for salaries. I find this troublesome since the Foundation's administrative expenses are 25 percent of its operating budget (compared to 6.95 percent for A.I.D. for FY 1999).

I am certain you will agree, upon investigation, that the Foundation's payroll is bloated and that most of its employees are overpaid for the work they are asked to perform.

I have every confidence that, after studying O.P.M.'s report, you will agree that the money the Inter-American Foundation lavishes on itself is totally out of proportion to what it spends on programs to help poor people.

Sincerely,

JESSE HELMS.

cc: The Honorable Brady Anderson