

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

PUBLIC MEETING

- February 11, 2003 -

SUMMARY REPORT

“Public Diplomacy and Foreign Aid in the National Interest”

William S. Reese, ACVFA Chairman, welcomed the committee members and participants. He noted the United States' new and increased commitment of resources to foreign assistance, including the President's proposal for the Millennium Challenge Account, which would be discussed later in the meeting.

KEYNOTE ADDRESS

CHARLOTTE BEERS, UNDER SECRETARY FOR PUBLIC DIPLOMACY AND PUBLIC AFFAIRS, U.S. DEPARTMENT OF STATE

Under Secretary Beers outlined the charter of the State Department's Public Diplomacy Bureau, which is to inform, engage, and finally, to influence. She charged the committee members and audience to share in the State Department's efforts to spread the message about the good work of the United States in terms that people of different cultures will hear.

The three top priorities for public diplomacy are:

- Inform swiftly, clearly, and accurately.
- Engage government officials, leaders, and communities in dialogue.
- Influence not only governments, but all people, especially the young.

Family, faith, and the chance for children to thrive are universally held values, according to Under Secretary Beers. She qualified her statement, however, by saying that held values, according to Under Secretary Beers. She qualified her statement, however, by saying that values, and cited growing anti-American sentiment around the world.

To counter those beliefs, the State Department prepared video documentaries depicting the Muslim community in America and circulated them to Muslim countries around the world. Ms. Beers showed clips of these to the audience, along with a video that recorded the reaction of Muslim viewers to the documentaries. Most viewers had a positive impression of American society after watching the tapes.

Ms. Beers also showed video segments about the efforts of the United States and other countries to provide development aid and reconstruction assistance in Egypt and Afghanistan. The videos help demonstrate the concern Americans have for people in need around the world. To emphasize that the United States' commitment to foreign assistance is more than just good will, Ms. Beers enumerated several new initiatives:

- An additional \$5 billion, by 2006, for the new Millennium Challenge Account.
- A new \$200 million-plus for a Famine Fund for special humanitarian crises.
- An allocation of \$1.2 billion for the alleviation of world hunger.

- An allocation of \$100 million in emergency funds for humanitarian aid to the poorest of the poor countries suffering from complex crises.
- An allocation of \$15 billion for a new plan for HIV/AIDS relief.

DISCUSSION

In response to a question on whether viewers thought the videos were credible, Ms. Beers affirmed that real people were interviewed and no scripts were used.

Responding to a comment about the low percentage of Gross National Product that the United States devotes to foreign aid, Ms. Beers said that the generosity of the United States should be judged on the sheer amount of money given and on the quality of the work and its successes.

Two participants emphasized the need for the public diplomacy stories to be told in the United States. Ms. Beers stated that this does not fall within her bureau's charter, but the NGO community, the immigrant communities, and the private sector can be helpful in telling the story.

"Family, faith and the chance for children to thrive are universally held values"

PANEL

"FOREIGN AID IN THE NATIONAL INTEREST: PROMOTING FREEDOM, SECURITY, AND OPPORTUNITY"

OVERVIEW: ANDREW NATSIOS, ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

Administrator Natsios summarized the history of Foreign Aid in the National Interest, also known as the "Woods II" report after a similar document commissioned by former USAID Administrator Alan Woods. That report laid out a blueprint for development in the decade of the 90s.

Foreign Aid in the National Interest presents a new strategy for development assistance in six areas: democratic governance; economic growth; health; mitigating and managing conflict; humanitarian assistance; and privatizing foreign aid. Mr. Natsios reported that USAID would hold a series of events to stimulate further public discussion and debate about the report within the development community.

Mr. Natsios devoted his remarks to elaborating the concepts in Chapter 6, which addresses development funding from non-government sources. The value of these resources is enormous, he said, and has increased over the last 30 years to encompass 80 percent of all resource flows from the United States to developing countries. This private funding is generated by private investments,

foundations, nongovernmental organizations (NGOs), universities and colleges, faith-based organizations, and private individuals. Personal remittances sent from the United States alone account for an estimated \$18 billion. Mr. Natsios reported that there is some evidence that remittances are often used to build schools and roads, not just to buy material goods and, as such, they contribute to investments in the social sector in recipient countries.

Administrator Natsios asserted that monetary foreign assistance contributions from private organizations should be included in the total when assessing the amount of assistance funds provided by the United States to developing countries. He concluded with a quote from Chapter 6: "The size and impact of private international giving creates new opportunities for development agencies. By learning more about this vast private army for assistance, USAID can enhance its effectiveness and define its comparative advantage and role in the 21st Century."

DISCUSSION

In response to a question about the relationship between the strategy laid out for USAID in *Foreign Aid in the National Interest* and plans for the Millennium Challenge Account (MCA), especially with regard to host country

ownership of the programs and the role of civil society, Mr. Natsios replied that some MCA programs are likely to include NGOs; some are not. As an example, he said it has been his experience that democratic developing countries are more willing to ask for help from NGOs and use local revenues in doing so, whereas countries with autocratic political systems are less likely to allow NGOs to participate. In either case, it is important for NGOs to be part of the process and to work with countries' ministries and authorities on development plans for the MCA.

A participant questioned the report's lack of focus on the environment and water, which are two important factors in health and economic growth. Mr. Natsios replied that these are mentioned in the microeconomic discussion and in the chapter on conflict. He emphasized, however, that the report purposely did not address each sector separately in favor of a more integrated approach.

Another participant stressed the importance of including the local government level in the discussion of governance, particularly with regard to the capacity of local governments to work with civil society and the private sector. Mr. Natsios affirmed that this is an area in which USAID is doing a lot of work and expects to do more, since it is at the local level that partnership relationships often flourish and ideas are introduced more effectively.

In response to a question about USAID's role in the MCA and the Millennium Challenge Corporation (MCC) that will be set up to run it, Administrator Natsios explained that the MCC would be limited to 100 or 125 employees. He suggested it would be virtually impossible to carry out the work required to program the MCA effectively without relying on other agencies and on USAID staff in the field, since in-depth local knowledge and discussions will be essential to making funding commitments.

THE FULL MEASURE OF FOREIGN AID: CAROL ADELMAN, SENIOR FELLOW, THE HUDSON INSTITUTE

Ms. Adelman emphasized that helping develop democracies and increasing economic growth in developing countries, particularly in the Middle East, could not be more important than now. She alluded to the changes that have taken place in the past 12 years, specifically the increase in open markets and open societies that has resulted in an increase in the delivery of goods and services through the private sector. She noted also the growth in private giving, pointing out that government assistance has dropped as private assistance has grown.

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In Chapter 6 of *Foreign Aid in the National Interest*, Ms. Adelman has quantified the amount of international giving by various categories of private institutions. Originally estimated at \$12 billion in the first Woods report in 1989, private international giving now stands at \$33.6 billion, very conservatively estimated. Of this, foundations contribute \$3 billion, corporations \$2.8 billion, and colleges and universities \$1.3 billion. This data, particularly for the amount of contributions by religious organizations, is not easy to obtain, but is based on actual references. As these figures show, USAID is a much smaller part of total funding, and thus has a new and different role to play.

In conclusion, Ms. Adelman recommended that USAID adopt the role of leveraging the private assistance, helping to increase local philanthropy, and helping governments create a favorable environment and tax structure for private and corporate charity.

CONFLICT MITIGATION: SHARON MORRIS, SENIOR ADVISOR, OFFICE OF CONFLICT MANAGEMENT AND MITIGATION, BUREAU FOR DEMOCRACY, CONFLICT, AND HUMANI- TARIAN ASSISTANCE, USAID

Ms. Morris noted that two-thirds of the countries USAID works in are affected by widespread violence.

She emphasized that USAID and its partners need to understand the underlying causes of conflict and then move from analysis to concrete development assistance programs that address the causes, as well as the consequences, of violence. Chapter 4 of *Foreign Aid in the National Interest* attempts to lay out the best current thinking on what is known about the causes of civil conflict and widespread deadly violence.

Research has demonstrated that large populations of unemployed or underemployed, educated young people are linked to political instability and violence, though they are not necessarily the cause. As one approach, she suggested engaging youth politically, socially, and economically to empower them as a constructive force, rather than a destabilizing one.

Environmental problems and population pressures also may contribute to conflict. Ms. Morris emphasized that all development programs, regardless of sector, can bring something to bear on conflict. She concluded with the hope that this discussion would continue in order to understand as much as possible about how to achieve the goal of helping nations build a more peaceful and sustainable future.

"USAID and its partners need to understand the underlying causes of conflict"

HUMANITARIAN ASSISTANCE: WILLIAM GARVELINK, SENIOR DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR DEMOCRACY, CONFLICT, AND HUMANITARIAN ASSISTANCE, USAID

Mr. Garvelink described the three objectives of Chapter 5 of *Foreign Aid in the National Interest*. The humanitarian assistance chapter attempts to:

- Trace the evolution of humanitarian aid through the 1990s.
- Discuss the kinds of humanitarian activities that will be seen in the future.
- Suggest a few possible courses of action the U.S. government could take.

Throughout the 1990s, the need for humanitarian assistance escalated enormously. Funding for humanitarian assistance tripled while development assistance funds declined. Organizations such as the U.N., UNDP, World Food Program, and UNICEF had to adjust and increase their focus on displaced persons and conflict management, and the military and private sector became more involved in humanitarian assistance.

Mr. Garvelink emphasized the importance of striking a balance among political, military, and humanitarian strategies. He pointed out that urban migration and resulting slums, the spread of infectious disease, and the threat of nuclear, chemical, and biological terrorism, as well as population pressures and environmental consequences, would lead to a continuing need for humanitarian aid. As a result, USAID is adopting a new strategy for humanitarian assistance that includes a central focus on failed and failing states and activities to address the root causes of conflict and crisis.

DISCUSSION

A participant noted that conflicts are not just internal problems, and that cross-border factors may shape those problems and/or their solutions. Mr. Garvelink agreed that this was true and applies to internally displaced persons as well.

An ACVFA member asked for clarification of the distribution of non-governmental resource flows, since they seem to be concentrated in just a few countries, and not in states that need the investment most. Ms. Adelman noted that the resource flows are spread over many countries, although less so in Africa.

A participant inquired about coordination of conflict management work among USAID, the Department of State, and the U.S. Institute of Peace. Ms. Morris replied that work on conflict is a coordinated U.S. government effort.

PANEL

"THE MILLENNIUM CHALLENGE ACCOUNT (MCA): LEGISLATIVE AND POLICY UPDATE"

**MODERATOR: ROBERT CHASE, ACVFA
MCA SUBCOMMITTEE CHAIR**

Mr. Chase opened the session with a summary of events related to the Millennium Challenge Account (MCA) since it was announced in March 2002 and discussed at ACVFA's May 2002 public meeting. He noted that another important milestone occurred last week with the submission of proposed MCA legislation to Congress. The legislation would create a basic framework for the MCA that needs to be filled in with many details. Mr. Chase expressed the hope that ACVFA and the broader development community would have the opportunity, as the process moves forward, to help mold this new and vitally important tool in the development arsenal.

**ALAN LARSON, UNDER SECRETARY
FOR ECONOMIC, BUSINESS, AND
AGRICULTURAL AFFAIRS, U.S.
DEPARTMENT OF STATE**

Mr. Larson reported that the legislation presented to Congress by President Bush would authorize the Millennium Challenge Account and create the Millennium Challenge Corporation (MCC) to administer it. Mr. Larson stated the key goal of the MCC: "To reduce poverty through promoting sustained economic growth in developing countries committed to implementing good policies." He emphasized that the draft MCA authorization bill contains a clear commitment to poverty alleviation, a goal that has been staunchly advocated by the development community.

Under the MCA, funds will be granted to eligible countries committed to achieving benchmarks on a time-limited, businesslike contract basis. The proposed 2004 budget is \$1.3 billion. To be eligible for the MCA, countries would have to score better than the median in at least half of the indicators in three separate categories - ruling justly, investing in people, and encouraging economic freedom - with special attention to the corruption indicator. There are 16 indicators in all.

Under the MCA, countries would be expected to set their own priorities for U.S. assistance in consultation with their citizens, businesses, and NGOs. The MCC board, chaired by the Secretary of State, would make final decisions on assistance proposals. Mr. Larson concluded by affirming the continuing essential critical role of USAID in U.S. development strategy.

*"The MCA would
revolutionize
development
assistance"*

**EDWARD FOX, ASSISTANT
ADMINISTRATOR FOR
LEGISLATIVE AND PUBLIC
AFFAIRS, USAID**

Mr. Fox reported on next steps in the process of enacting the legislation authorizing the MCA. Congressional oversight committees will soon begin hearings on the President's draft bill and the legislative proposals that have been submitted by other interested organizations. Although the legislative calendar is busy, the MCA is expected to be a priority.

Mr. Fox noted that to gain widespread support for the MCA, there is a need to elucidate clearly how this approach differs from current programs, but at the same time, is complementary to our current foreign assistance program and does not substitute for it. He argued that it is in the best interest of the United States to support the MCA and to update the current foreign assistance legislation for security, political, and economic reasons.

PATRICK CRONIN, ASSISTANT ADMINISTRATOR FOR POLICY AND PROGRAM COORDINATION, USAID

Mr. Cronin described how the MCA would revolutionize development assistance and how USAID would play a strong partnership role. He suggested that USAID's predominant focus would be to help countries qualify for MCA assistance and to help countries in distress or in transition. In MCA countries the United States can help promote sustainable development and attract the trade, investment, and private resource flows that far outstrip development assistance. In other countries, USAID would continue to provide humanitarian assistance where needed. It would also offer development assistance in key areas of basic education and health, economic growth, and governance, which are impediments to longer-term productivity. In countries that are good candidates for the MCA, but do not meet all of the eligibility criteria, USAID's assistance would be geared toward the weak spots.

Mr. Cronin concluded by emphasizing that decisions on implementation issues such as these have not been predetermined, and the MCA planners will seek the views of NGOs and others.

"MCA requirements will be focused, streamlined, transparent, and public."

ample opportunity to bring countries into the program that did not qualify in the first or second year. The CEO and board of the MCC would be expected to plan expenditures accordingly.

Responding to a question about the MCA procurement process, the panelists stated that the process should be flexible in order to respond to the countries' development priorities and to get the work done efficiently.

In response to concerns that the MCA might draw resources away from traditional development assistance activities and needs in poor countries, the panelists stated that MCA funds would be additive to other development programs. They affirmed that USAID would continue to respond to needs in non-MCA countries, as well as provide aid in areas that might be outside of the MCA, such as regional HIV/AIDS programs.

The panelists also allayed concerns expressed by some participants that the short time-frames that seem to be implied for MCA activities are unrealistic, and that the expected monitoring and reporting requirements could become overly burdensome. According to the panelists, the MCA requirements will be focused, streamlined,

transparent, and public. The aim is to measure only what is really critical and not to encumber the program with requirements that are not necessary to ensure accountability to the taxpayers and public officials.

DISCUSSION

A participant commented on the potential difficulty in programming the large amounts of resources that relatively few countries would receive under the MCA. The panelists acknowledged that this presents a challenge and emphasized that the programs must be based on extensive analysis and participatory processes to achieve sound development priorities.

Questioned about whether USAID assistance would be targeted toward helping "near-miss" countries to qualify, and whether there would be funds available to support these countries' entrance into the eligibility pool, the panelists stressed the need to assist these near-miss countries as an incentive for other poor performing countries. They predicted that there would be

DISCUSSION

"LINKING U.S. FOREIGN AID WITH PRIVATE FOREIGN AID"

RAPPORTEUR: SALLY MONTGOMERY BRUMBAUGH, ACVFA MEMBER

Ms. Brumbaugh reported that Carol Adelman led off the discussion with examples of partnership models and new partners. She also made several recommendations, most importantly, the need for USAID to involve the private sector in the strategic planning process from the beginning. This discussion group

included presentations by Norm Bracksick, Executive Director of the Foods Resource Bank, and James Smith, Executive Director of the American International Health Alliance, both of whom have been involved in successful partnerships that leverage private resources for development.

Ms. Brumbaugh summarized the group's recommendations:

- Create better rules of engagement to avoid disputes between partners.
- Jointly design programs with and expand outreach to the private sector.
- Improve synergy between humanitarian and development programs in the health sector.
- Work on USAID procurement and programmatic requirements.
- Find a way to document U.S. private foreign assistance accurately.

"MITIGATING CONFLICT"

RAPPORTEUR: TED WEIHE, ACVFA MEMBER

Mr. Weihe reported that the group discussion focused on how to translate what is known about conflict management and reconciliation and integrate it into economic development work in crisis-affected countries. Two issues that were repeatedly acknowledged as sources of conflict included ethnicity and underemployed urban youth. Dialogue between conflicting groups was frequently mentioned as a key to mitigating conflict.

Among the new strategies needed are:

- More holistic coordination.
- Applied, as opposed to academic, research.
- Creative thinking about how to evaluate conflict programs.
- Ways to develop social capital and to provide opportunities for dialogue and political space for the parties to conflict.

"REDEFINING HUMANITARIAN ASSISTANCE" RAPPORTEUR: CHARLES MacCORMACK, ACVFA MEMBER

Mr. MacCormack reported that the group discussed the increase in humanitarian crises during the 1990s, and the tremendous learning that took place in the humanitarian assistance field during that time. The group inquired how this learning is being disseminated and shared. Mr. MacCormack noted that another concern of the group was that the Millennium Challenge Account could draw attention, funds, and legitimacy away from assistance to the more difficult countries. The group suggested that a better rationale is needed for when, where, and how the United States should involve itself in long-term reconstruction and development efforts.

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Mr. MacCormack conveyed the sense of the group that the United States carries a large share of the burden of humanitarian response, from responding to food insecurity, to natural disasters, to political crises. The group concluded that a way must be found to elicit greater involvement on the part of other bilateral donors. The group also called for development of criteria for assisting failed and failing states that are not expected to receive assistance from the

Millennium Challenge Account.

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NEXT ACVFA MEETING

MAY 14, 2003

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