

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

PUBLIC MEETING

- May 14, 2003 -

SUMMARY REPORT

“U.S. Foreign Assistance Strategy - A New Role for NGOs and USAID?”

William S. Reese, ACVFA Chair, welcomed the committee members and participants. Mr. Reese reminded the audience that the ACVFA has been in existence for 60 years, facilitating an ongoing dialogue between government and the third sector. He noted that there is today, in the face of enormous challenges in foreign aid, an unprecedented sense of partnership between government and NGOs to meet those challenges.

KEYNOTE ADDRESS

ANDREW S. NATSIOS, ADMINISTRATOR U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Natsios focused his remarks on USAID's new trade capacity building (TCB) strategy (http://www.dec.org/pdf_docs/PDABX241.pdf). He began by referring to the U.S. National Security Strategy, which identifies three pillars of foreign policy: defense, diplomacy, and development. There is a direct relationship between a country's level of development and its stability. Furthermore, there is a direct relationship between economic growth and gains in productivity, particularly in agriculture, because most of the poorest countries in the world are agricultural economies. For poor people to become prosperous, family incomes must rise. Research also shows that there is a relationship between good governance and economic growth at both the macro and micro levels. These and other factors affect the climate for trade and investment that are key ingredients of development.

Mr. Natsios presented the three pillars of USAID's trade capacity building strategy:

- Strengthening developing country participation in international trade negotiations.
- Implementing international trade agreements.
- Supporting trade, investment, and other market activity

The World Bank estimates that if there were no trade barriers anywhere in the world, the incomes of Third World countries would be increased by \$300 billion a year. Two-thirds of that increase would be in regional trade. Also, U.S. trade with the developing world is increasing in both directions. More than 40 percent of U.S. exports now go to the developing world.

Mr. Natsios pointed out that the U.S. is the world's largest provider of TCB, and USAID delivers more than 70 percent of the U.S. TCB programming. In closing, Mr. Natsios remarked TCB is in the interests of poor people of the developing world, and NGOs and universities can have an important role in implementing effective TCB programs.

DISCUSSION

An ACVFA member asked about women's participation in TCB programs. Mr. Natsios responded that increased education will facilitate the participation of women in the economy. He noted that agricultural productivity is affected profoundly by education level.

In response to a question about USAID's role in rural electrification, Mr. Natsios acknowledged its importance, but said that resources for rural electrification are scarce.

PANEL

**"HELPING DEVELOPING COUNTRIES PARTICIPATE IN GLOBAL TRADE,"
NICHOLAS EBERSTADT, ACVFA MEMBER,
MODERATOR**

Emmy Simmons, Assistant Administrator, Bureau for Economic Growth, Agriculture and Trade, USAID

Ms. Simmons remarked that USAID has a modest, but robust, technical assistance program for TCB. USAID TCB assistance falls into three categories:

1. *Participation in the world governance structure for trade, including the World Trade Organization (WTO) and regional rulemaking bodies.* For example, USAID recently trained Moroccan negotiators in how to prepare, present, and support more effectively their positions in free trade negotiations.

2. *Implementation* -- helping ensure the suitable environment for trade, including customs, tariffs, infrastructure, phytosanitary regulations, and commercial law. Implementation work accounts for about seven percent of USAID's budget for TCB.

3. *Economic Responsiveness* -- enabling countries to respond to trade opportunities and solve problems that prevent them from initiating or increasing trade in both regional and international markets. Ninety percent of USAID's TCB resources are devoted to this area. Economic responsiveness is addressed at three levels: sector, cluster, and firm.

In closing, Ms. Simmons noted the contributions of American business and Farmer-to-Farmer volunteers in providing support to counterparts in developing countries to increase their ability to access and compete in world markets.

Constance Newman, Assistant Administrator, Bureau for Africa, USAID

Ms. Newman remarked that the African Growth and Opportunity Act (AGOA) has created new jobs and brought millions of dollars in investment into Africa. As a result of AGOA, imports by the U.S. from Africa have increased between 2001 and 2002 by 10 percent, to \$9 billion. The 2002 report on AGOA highlighted the creation of over 190,000 AGOA-related jobs in Kenya, Malawi, Mauritius, Namibia, and Swaziland.

Ms. Newman emphasized that AGOA is not the only vehicle for bringing about economic growth. The President's initiative on trade led to the development of three regional trade hubs in Africa. Those hubs bring in technical experts, match African and U.S. entrepreneurs, and develop technical resources for governments and businesses.

Ms. Newman remarked that TCB in Africa is critical. Over the last decade, sub-Saharan Africa's trade grew 39 percent, while world trade grew 85 percent. Sub-Saharan Africa accounts for less than 1 percent of U.S. merchandise imports. Two-way traffic between the United States and sub-Saharan Africa fell in 2002, down 15 percent from a year earlier.

Ending on a positive note, Ms. Newman said that U.S. direct investment in sub-Saharan Africa increased 5.8 percent between 2000 and 2001, amounting to \$10.2 billion.

J. Michael Deal, Deputy Assistant Administrator, Bureau for Latin America and the Caribbean (LAC), USAID

With the Central America Free Trade Agreement (CAFTA) scheduled for the end of 2003, and the Free Trade Area of the Americas (FTAA) scheduled to begin in 2005, USAID is placing the highest priority on assisting the Latin American countries build their trade capacity. The promise of CAFTA and FTAA offers an historic opportunity for consolidating democratic reforms and accelerating the pace of economic and social reforms.

"NGOs and universities can play an important role in trade capacity building."

USAID plays a role that complements that of the Office of the U.S. Trade Representative (USTR). USAID does not view trade as an end in itself, but as a means to further develop economic growth and improve the general standard of living. There is a strong synergistic relationship between good governance, education, health, environmental stewardship, and enhanced economic growth.

In the late 1980s and early 1990s, many Latin American policymakers implemented positive reforms. While growth rates in the region have increased, the region still faces extensive poverty, unemployment, and skewed income distribution. Crime and lawlessness are on the increase, there is a thriving narcotics industry, and the natural resource base is deteriorating. These elements undermine the stability of the region. While free trade will propel economic growth, this growth cannot move forward without the right social and economic conditions.

The governments in the region, through their TCB national action plans, reflect an overwhelming concern with measures to ensure that the benefits of a free trade agreement extend to agriculture, small business, and other sectors. Business executives are becoming increasingly aware that not only is it their responsibility, but it is critical to their survival, to find ways to work with government, labor, and civil society to improve socioeconomic conditions. Mr. Deal stated that it is clear that governments need markets to function, and markets cannot function without effective, legitimate, and law-abiding governments.

"There is a strong synergistic relationship between good governance, education, health, environmental stewardship, and enhanced economic growth."

DISCUSSION

A participant asked about addressing income disparities through trade. Ms. Simmons replied that the issue of increasing incomes by linking poor, small entrepreneurs, particularly women entrepreneurs to local, regional, and world markets is a major concern and is an area in which USAID is making some progress. Mr. Deal added that the LAC region has a strategy that is trade-led, but also addresses equity in terms of off-farm income and the informal sector.

A participant remarked on the disturbing working conditions in certain free trade zones. Mr. Deal responded that USAID hopes to develop a public-private partnership to provide training to ensure compliance with acceptable labor standards.

A participant inquired about the challenges facing USAID as it tries to advance its TCB agenda. Ms. Simmons identified three challenges: flexible funding, staffing, and coordination.

"NGOS AND THE PRIVATE SECTOR: BUILDING TRADE CAPACITY THROUGH PARTNERSHIPS," ELISE SMITH, ACVFA MEMBER, MODERATOR

Stephen J. Hadley, Director, Office of Economic Growth, Bureau for Economic Growth, Agriculture and Trade, USAID

Mr. Hadley proposed four roles for NGOs in the trade arena:

1. Suppliers of trade capacity building. USAID views this as an important role for NGOs. A new sub-role for NGOs is helping countries to participate in the machinery of global trade institutions.

2. Resource partners. There is a notice in the current *Federal Register* asking for NGOs, corporate sponsors, and private foundations to come forward if prepared to contribute resources or expertise to the TCB discussions accompanying the CAFTA negotiations.

3. Host country trade policy consultations. U.S. NGOs, working with their associated parties overseas could strengthen the role of host country NGOs in the trade policy process.

4. Partnering with the private sector on trade processes and practices. There are many opportunities in this area, including well-known examples of partnerships in sustainable timber and fair trade coffee.

Ritu Sharma, Co-Founder and Executive Director, Women's EDGE

Ms. Sharma remarked that trade has a greater impact on the lives of women worldwide than official development assistance. She identified ten conditions that must be met for trade to be an effective tool for poverty reduction.

1. Loss of revenue from tariff elimination should not be accompanied by cuts in social services to the poor.
2. Countries must reserve the right to protect vulnerable domestic industries that are important sources of jobs and income for the poor.
3. Jobs created through investment must pay an anti-poverty wage.
4. Foreign-owned factories should be encouraged to use local labor and local materials.
5. Investors should stay in a country long enough to benefit local economies and create stable jobs. Governments should have some regulatory power to manage the flow of investment into and out of their countries.
6. Countries should not become heavily dependent on export crops, making them vulnerable to a crash in world prices and negatively impacting production for home consumption.
7. Countries must produce value-added products.
8. Privatized service companies must not exclude the poor by charging user fees.
9. Governments should be able to protect intellectual property rights and community-based knowledge linked to income sources of the poor.
10. The U.S. must have reciprocal open markets with developing countries.

Ms. Sharma described the Trade Impact Review, an econometric tool developed by Women's EDGE to systematically analyze how trade will affect the poor. This type of analysis should be a normal part of trade negotiations and TCB efforts.

Don Crane, Executive Vice President, ACDI/VOCA

Mr. Crane cited ACDI/VOCA trade capacity building projects in coffee and cocoa. The Specialty Coffee Association of America and ACDI/VOCA initiated a program in 2000 to promote coffee production and improve the quality of coffee for export for small-holder farmers and farmer organizations in developing countries. The parties share the goal of promoting private sector approaches that are environmentally friendly, socially just, and economically sustainable. Mr. Crane described the specifics of the project in Ethiopia, where ACDI/VOCA and its volunteers helped set up three coffee farmers' cooperative unions representing 148,000 farmers in 95 producer cooperatives. All three unions export directly to the international market.

"Trade has a greater impact on the lives of women than official development assistance does."

ACDI/VOCA is also involved in cocoa production in Indonesia. To improve cocoa production and overcome a pest infestation on the island of Sulawesi, ACDI/VOCA partnered with USAID, Master Foods, and the World Cocoa Foundation to form the "Success Alliance." This project promotes an integrated approach to farmer training and applied research. It also aims to ensure strong markets for the high-quality cocoa beans now being produced.

Julia K. Hughes, Vice-President, International Trade and Government Relations, U.S. Association of Importers of Textiles and Apparel (USA-ITA)

Ms. Hughes remarked that USA-ITA works with U.S. retailers in textiles and apparel. She noted that quotas have been in place in the U.S. since the 1960s. While textile quotas will be phased out by WTO members on January 1, 2005, there are still 47 countries with restrictions on their trade to the U.S., and more than 1300 quotas that restrict where goods are made, predominantly in developing countries. However, Ms. Hughes noted that the value of the imports to the U.S. is more than \$75 billion, and there are more than 150 countries that ship goods to the U.S.

USA-ITA supported a textile and apparel benefit in AGOA because of the potential of this sector to have an immediate impact on employment. USA-ITA funded training in three countries that were deemed most

likely to be immediate successes: Mauritius, South Africa, and Kenya. Training seminars focused on explaining provisions of the law and how to do business with U.S. companies. Since that time, USA-ITA has visited other countries and made a presentation at the AGOA Business Forum. Ms. Hughes stated that USA-ITA member companies have codes of conduct with which manufacturers in developing countries must comply. In closing, she emphasized the critical need for TCB so that developing country textile industries will remain viable when the quotas end.

DISCUSSION

A participant asked about the inconsistency between U.S. foreign policy emphasis on free trade, and U.S. protectionism of its own products. Mr. Hadley replied that USAID is part of a much larger policy process that goes beyond negotiating positions at any particular time, but is geared toward market liberalization over time. USAID's role is to build trade capacity and to make sure that trade benefits a very large number of people.

In response to a question about codes of conduct, Ms. Hughes responded that nearly all major U.S. companies have a code of conduct, most of which can be found on the Department of Labor website.

A participant inquired about basic property rights and global trade. Ms. Sharma replied that USAID's TCB strategy strongly supports putting private property rights into law. However, it is critical to make sure that women's property rights are codified as part of the process.

"POST-CONFLICT RECONSTRUCTION: MOVING TOWARD A NEW VISION,"

ROGER WINTER, ASSISTANT ADMINISTRATOR FOR DEMOCRACY, CONFLICT, AND HUMANITARIAN ASSISTANCE, USAID, MODERATOR

Frederick D. Barton, Senior Advisor, Center for Strategic and International Studies (CSIS); Post-Conflict Reconstruction Project Co-Director

Mr. Barton remarked that the past decade has seen a progression from small problems in small places, to small problems in big places, to big problems in small places. The challenges of post-conflict reconstruction in today's world will require cross-disciplinary work at a level never before experienced by the foreign policy community.

CSIS and the Association of the United States Army convened a bipartisan Commission on Post-Conflict Reconstruction (<http://www.csis.org/isp/pcr/playtowin.pdf>). The Commission developed a framework with four-pillars:

- Security
- Justice and Reconciliation
- Social and Economic Well Being
- Governance and Participation

The Commission made 17 recommendations, 10 legislative and 7 administrative. Mr. Barton discussed some of the recommendations, including one focused on standby capacity for humanitarian and development organizations. The Commission also recommended the appointment of a Director of Reconstruction with the lead responsibility for the U.S. government's response.

Members of the U.S. Senate and House of Representatives have agreed to sponsor legislation similar to the text of the report. In conclusion, Mr. Barton stated that it is critical for USAID to step in, and to step up, on the issue of post-conflict reconstruction.

"Standby capacity is a critical component of post-conflict reconstruction."

Julia Taft, Assistant Administrator, United Nations Development Program (UNDP)

Ms. Taft, a member of the Commission on Post-Conflict Reconstruction, said the UNDP is using the final report in designing its strategy for post-conflict involvement. Ms. Taft remarked that the study was designed to be relevant to the U.S.; however, the U.S. cannot, and should not, "do it all." It is a useful instrument for all organizations engaged in post-conflict issues. Ms. Taft pointed out that the issue of security is not just macro security, but also includes community security. The report recommends a packaging of civilian protection and security of infrastructure. Ms. Taft suggested the establishment of a constabulary of standby civilian police. The disarmament, demobilization, and reintegration of ex-combatants is also critical for maintaining peace. The military should not have full responsibility for this element.

On justice and reconciliation, Ms. Taft remarked that the report recommends early deployment of a transitional justice package, providing an opportunity for broader private sector involvement. She added that sometimes too many resources are devoted to international tribunals instead of building solid justice systems that benefit the population.

Peter Bell, President and CEO, CARE USA

Mr. Bell, another member of the Commission, said that the Commission provided an opportunity for people from diverse groups to discuss key issues. He remarked that the tendency of the U.S. at times to isolate countries with which it finds itself in sharp disagreement causes problems in the post-conflict stage because critical internal ties have not been established.

In Iraq there has been a difficulty in assigning clear roles and responsibilities. It is important for civilian groups to maintain independence from the military. Mr. Bell remarked that often NGOs work in countries before and during conflict situations, placing them in a unique position to respond rapidly post conflict. Helping to reinforce and facilitate local capacities is absolutely critical to reconstruction. In conclusion, Mr. Bell stressed the important roles of NGOs in serving as a bridge to civil society and facilitating peacebuilding at the local level.

Richard L. Greene, Principal Deputy Assistant Secretary for Population, Refugees, and Migration, U.S. Department of State

Mr. Greene described nine aspects of a practical new vision for post-conflict reconstruction and beyond, from a State Department perspective:

1. Expanded emphasis on civil-military cooperation
2. Reliance on the expertise of international humanitarian organizations and NGOs
3. Security as an absolute precondition for the delivery of humanitarian assistance
4. Improved coordination among all humanitarian agencies and with host governments
5. Early and significant funding
6. Reliance on needs-based assessments done by the international community
7. Focus on international burden sharing
8. Emphasis on protection and utilizing organizations that have an expertise in this area
9. Reintegration of refugees and ex-combatants

In conclusion, Mr. Greene remarked that a key question is "How can we do a better job of filling the security vacuum?"

James Kunder, Deputy Assistant Administrator, Bureau for Asia and the Near East, USAID; former USAID Representative, Kabul, Afghanistan

Mr. Kunder remarked that the Office of Reconstruction and Humanitarian Affairs (ORHA) is implementing much of what is suggested in the Commission's final report. Mr. Kunder shared five reasons to read the report.

"Helping to reinforce and facilitate local capacities is absolutely critical for reconstruction."

1. It reiterates the notion that U.S. foreign policy has increasingly become concerned with post-conflict management.
2. It provides a fundamental challenge to the commonly held view of the supremacy of civil society.
3. It highlights security issues. Humanitarian assistance and capacity building cannot be isolated from security and policing issues.
4. It suggests a need for integrated political and military plans.
5. It includes a discussion of standby capacity, an absolutely critical component of post-conflict reconstruction.

In closing, Mr. Kunder reiterated that the report raises fundamental challenges that NGOs need to consider.

DISCUSSION

In response to a question about how indigenous NGOs could successfully compete for funding, Ms. Taft remarked that in post-conflict situations it is important to have a clearinghouse to register organizations and their capacities.

In response to a question about the role of diaspora networks in reconstruction, Mr. Barton stated that ethnic communities in the U.S. and elsewhere represent a great pool of talent needed for reconstruction. He also noted that inducements might be necessary to encourage professionals to return home. Mr. Kunder emphasized the need to link returnees with in-country organizations that can utilize their talents.

In a discussion about the cultural barriers between the military and the non-profit community, Mr. Kunder remarked that there is a need for a civilian alternative to ORHA, or the provisional reconstruction teams.

A participant asked about the role of the UN. Mr. Greene answered that the State Department sees a significant role for the UN and has been working to facilitate that role. Ms. Taft commented that the UN has been in Iraq for 50 years, and is very much present and engaged, but waiting to see what its role will be.

On the issue of pre-conflict planning, Mr. Greene stated that the Humanitarian Planning Team for Iraq, which involved both civil and military officials, is a good model. Mr. Barton remarked that standby capacity, perhaps at the UN, is critical. Mr. Bell cautioned that preparing for the aftermath of a war that is initiated by the U.S. might put local staff members at risk.

Ms. Taft commented that before the Iraq war the UN coordinated humanitarian contingency planning in the surrounding countries. She suggested that the ACVFA consider developing such an approach in selected countries, and volunteered to seek buy-in from the UN on a partnership.

The next ACVFA Public Meeting will be held on

October 1, 2003.

This summary of the ACVFA public meeting has been prepared and distributed by the USAID Office of Private and Voluntary Cooperation in the Bureau for Democracy, Conflict, and Humanitarian Assistance. The full report is available from ACVFA Program Support, Datex, Inc., 1331 H. Street, NW, Suite 200, Washington, DC 20005-4706, telephone 202-347-9211 ext. 203, email pvcsupport@datexinc.com. The report may also be obtained online at www.usaid.gov/about_usaid/acvfa/acvfapubs.html.