



November 25, 2008

**AN EFFECTIVE U.S. FOREIGN ASSISTANCE PROGRAM –  
REFLECTIONS FROM THE ADVISORY COMMITTEE ON VOLUNTARY  
FOREIGN AID**

The Advisory Committee on Voluntary Foreign Aid (ACVFA) would like to offer our perspectives on three important issues, which have received significant contributions: leadership, partnership, and a strengthened USAID development capacity. In addition, we want to summarize once again the recommendations from the ACVFA's papers on the foreign assistance framework that are particularly relevant to the new Administration.

Leadership

The leadership displayed by Administrator Henrietta Fore has been welcomed by the development community and within the agency itself. It is our hope that several aspects of this leadership will carry forward through the work of the new Administrator.

Efforts to improve the agency's transparency by sharing information, engaging regularly with internal and external constituencies, and establishing processes to discuss issues of substance and importance to development, have been critical and beneficial. As the agency moves into its transition and potentially into a reform process, the importance of open dialogue with staff, partners, and beneficiaries cannot be overemphasized.

Second, at various points during the last two years, and in particular in our papers on the new development framework, the ACVFA has recommended that the U.S. lay out a coherent, consistent, and collaborative international development strategy. This must be a major focus for the next Administrator.

Steps towards coordination with other agencies and departments within the U.S. Government have been undertaken. In this time of great uncertainty, U.S. foreign assistance goals must be developed with input from key stakeholders, clearly articulated, and programs for their achievement efficiently implemented. Future support for U.S. development programs, from both the public and the Congress, depends on its effectiveness and coherence. Developing a new collaborative framework under civilian leadership for foreign assistance will require close collaboration with the National Security Council, National Economic Council, Department of State, Department of Defense, the Centers for Disease Control and the many other U.S. agencies that engage in international assistance from the EPA to the USDA. Private US organizations should also be consulted during this process. One first step may be to strengthen the Development Policy Coordinating Committee, under the National Security Council and chaired by the USAID Administrator.



## Partnership

The U.S. Congress should become one of USAID's closest partners. Every USAID Administrator has held the elimination of Congressional earmarks as a dearly sought after goal. We believe that Congressional earmarks can be dramatically reduced if not totally eliminated. What these earmarks represent is the breakdown of trust, accountability, transparency, and partnership between the Agency and the Congress. Congressional earmarks can be eliminated and reduced if Congress believes that there is an appropriate framework for development that has the broad support of key constituencies. We believe that it is critical for the next Administrator to spend significant amounts of time with Members of Congress and key staff. The creation of a new collaborative framework for foreign assistance with significant input from the Congress can gain their cooperation and support for USAID's goals and allocations. The recent recommendations of the ACVFA regarding public outreach highlight the shared view of USAID and its partners that a strengthened ability to better tell its story is part of the key to better cooperation and the partnership between the agency and the Congress.

In addition, USAID should continue to embrace the wider development community and promote partnership that can bolster USAID's support, technical expertise, and effectiveness on the ground and play a critical part in the achievement of the foreign assistance goals. The new Administrator should continue the dialogues on public-private partnerships, the role of civil society, and mechanisms for aid effectiveness, and addressing complexity through "multi-sectoral" initiatives, such as the recent efforts to link "democracy" and "economic growth."

The next Administrator might also consider holding an annual "Partnership Conference," as other executive branch agencies do, to explore new innovations, map capacities in the field, identify roadblocks to success, and air concerns in an open dialogue.

Finally, as working collaboratively within an increasingly complex global aid architecture and financial system becomes more critical to achieving lasting, positive development outcomes, USAID should continue to play a lead role in global conversations. The leadership role undertaken at the Third High Level Forum on Aid Effectiveness is to be commended, as a result of which emerged the Accra Action Agenda. Subsequent leadership at the Follow-up International Conference on Financing for Development is also appreciated, which places aid effectiveness into the broader context of development finance. We hope that the next USAID Administrator will similarly prioritize these international processes and provide leadership in reaching a global consensus on development effectiveness.

## Strengthened Capabilities to Interact with Partners in Development

In addition to strong leadership, a clear long-term strategy, and solid partnerships, there are several other elements to strengthening the ability of the U.S. Government to assist developing countries in their growth and development strategies. These are: building the personnel and operating capabilities of the Agency so that the United States can continue to be a leader in the provision of foreign aid: using



information and communications technologies to advance the Agency's mission and programs faster, smarter, and more efficiently; and robust resources, to engage with new partners, especially the local talent and capacity in developing countries, and to seek administrative and programmatic mechanisms to bolster existing partnerships with US-based organizations. USAID leadership has advanced each of these areas during Administrator Fore's tenure and it our hope that the incoming Administrator will continue the process.

### Key ACVFA Recommendations on Programs

Over the last year, the ACVFA prepared comments on the new development framework. Many of these recommendations are not only still relevant, but even more important given the recent food and financial crises. We would like to reiterate their importance by re-stating the executive summary below.

In reviewing ACVFA's observations and recommendations, one common theme emerges - interdependency. Although each paper focuses on its own set of topics (economic growth, governing justly and democratically, humanitarian assistance, investing in people, and implementation mechanisms of foreign assistance), in many instances the recommendations highlight the interdependency of these different topics. On the issue-based level, particularly striking are the common themes that emerge from governing justly and democratically and economic growth groups. One of the focus points of both papers is that democratic political systems as well as economic growth must provide opportunities for and improve livelihoods of all the people in society, particularly the marginalized poor. These goals lie at the heart of humanitarian assistance and investing in people as well. Such emphasis on the common goals shared by these separate parts of the foreign assistance framework, as well as common mechanisms for achieving these goals, suggests that there should be greater cooperation and integration within the separate components of the proposed structure.

Further, relating to the seemingly common objectives underlying the foreign assistance framework, ACVFA expresses concern over the lack of cohesive strategy in achieving those objectives. Similar concerns emerge over funding mechanisms and priorities identification.

Several papers cite the favoring of large contracts, for-profit companies, and other acquisition mechanisms over assistance grants to PVOs, NGOs, and smaller co-ops. This trend, observed as a negative pattern, results in the loss of vital networks and agency effectiveness. Speaking to increased aid effectiveness, ACVFA suggests better information gathering and program analysis that utilize new technologies in knowledge management. Another common theme is the desire to raise the overall capacity of USAID staff, including increased staffing levels, training, and operational budget. Analysis of the recommendations suggests that there should be greater cooperation and integration between the different components of the foreign assistance framework at the strategy formulation, program design, program implementation, and program evaluation stages. The success of foreign assistance also hinges on the ability of USAID to develop and retain talented staff as well as attract a diverse set of experienced implementing organizations with local knowledge of development processes.



## **RECOMMENDATION SUMMARIES**

### **ECONOMIC GROWTH**

ACVFA argues that economic growth should be more closely tied to poverty reduction through more focus on rural enterprises, staple crops and livestock for local and regional markets. It should also emphasize SME development and job creation with embedded services as well as changes in competitiveness and trade promotion programs that rely more on democratic trade associations, rather than unsustainable clusters. Additionally, more programs should address the “poverty penalty” or the bottom of the economic pyramid, and preparing youth for the job market. There is too much emphasis on top-down approaches to government reforms, rather than bottom up business advocacy.

ACVFA observes an over-reliance on a limited number of large, for-profit contractors; USAID is losing the valuable networks of smaller PVOs, NGOs, and specialty co-ops. Coops have a special niche since they combine grassroots democratic ownership with broad-based economic development. This current trend towards large contacts often hinders current USAID operations, and does not take into consideration the specific country’s level of development or complexities of the local situations.

ACVFA strongly supports an increase in the Operating Expense budget, but recommends a review and reform of proposal methodology and implementation including greater emphasis on project leadership with practical business experience.

### **GOVERNING JUSTLY AND DEMOCRATICALLY**

ACVFA notes that democracies must deliver at all levels of society, especially for the poor. The ACVFA has concerns over the rigid compartmentalization of development activities, citing the potential limitations of vital, cross-sectoral cooperation. The ACVFA also recommends the addition of “Donor Coordination Activities” as a sub-element in the foreign assistance framework in order to increase coordination on the ground, and recommends an increased focus on the promotion of political parties and incentives for political reform. Finally, the ACVFA stresses the crucial role of women and business associations in the creation of civil society and democracy building.

### **HUMANITARIAN ASSISTANCE**

The ACVFA recommends the maintenance of a robust central emergency fund with notwithstanding capabilities, solely dedicated to humanitarian assistance. Additionally, funding of humanitarian assistance programs ought to come from core budgets and shift away from an over-reliance on supplemental funding, which results in uncertainty in maintaining effective emergency programming.

The ACVFA recommends the creation of a clear strategy, including appropriate funding mechanisms, to ensure that transitional programming provides an effective transition from relief to development.



The Committee desires to assert the central role USAID plays during emergency responses. It hopes to ensure a strong, well-funded civilian capacity for future responses in complex emergencies, thus reducing the growing reliance upon military capacity in a range of humanitarian and complex emergency environments.

## **INVESTING IN PEOPLE**

ACVFA asserts that IIP must have a foundational role in all U.S. foreign assistance initiatives; including the creation of a policy-level IIP position and the integration of IIP into budget planning.

ACVFA recommends the development of incentives for cross-sectoral work, the establishment of specific long-term priorities, and the affirmation of the key role of the Education Offices at USAID. USAID should enhance its structural capacity by increasing U.S. direct-hire staffing, mandate program monitoring and evaluation, utilize technology for information collection and analysis, create a process for determining country-level priorities, and increase public-private partnerships. The group stresses the prioritization of investment in women and youth programs, as well as health and educational funding, specifically for the Education for All initiative (EFA). This focus will build institutional capacity, leadership, and technical capacity across the board. Equally important, ACVFA recognizes the important role of NGOs in delivering wide-ranging health interventions and believes that these should be strengthened; assistance through U.S. PVOs to community- and faith-based organizations is essential to long-term advances in behavior change, immunization and nutrition.

## **IMPLEMENTATION MECHANISMS**

ACVFA observed two current trends. The first trend is that the use of acquisition and assistance mechanisms often appears to be inconsistent with the Federal Grant and Cooperative Agreement Act (FGCAA), which states that the choice of mechanisms is dependent upon the nature of the relationship created between USAID and the nonfederal party, as well as the intended purpose of the award. Current USAID guidelines do not adequately reflect these provisions, as they suggest that no activities are better suited for one type of instrument over the other. However, ACVFA argues that for some activities, there is an inherent logic in the choice of instruments that flows from project's relationship vis-à-vis the U.S. government and the purpose of the award, particularly programs that require a degree of separation from direct U.S. government control and those that build the capacity of local institutions and NGOs operating at the community level.

Secondly, there is a propensity to bundle multi-sectoral program components under omnibus Requests for Proposals (RFPs) and Requests for Assistance (RFAs). ACVFA found the perceived benefits of "bundling" are often outweighed by the problems that it creates. These include creating unnatural partnerships between implementing organizations, fostering conflicts of interest among local



beneficiaries, and building complicated lines of communication between project managers and program partners.

ACVFA recommends the restoration of adequate staffing levels and enhancing current staff capacity to accurately implement the proper selection criteria for award selection, as well as providing additional training to USAID contracting and agreement officers on instrument selection. In addition, ACVFA recommends that USAID clarify sections of ADS 303 and 304 to ensure greater compliance with the Federal Grant and Cooperative Agreement Act. Finally, the preference of large, cross-sector contracts and omnibus-type programs creates potential inefficiencies and threatens the effectiveness of USAID foreign assistance programming.

#### **CONCLUSION:**

ACVFA appreciates the opportunity to provide USAID's leadership with advice and counsel on the foreign assistance reforms. We believe that a vibrant and effective U.S. foreign assistance program benefits from the diverse partners that the ACVFA community represents. The work of our member organizations on the ground with USAID is a privilege and one which we believe provides a unique set of values, tools, and knowledge for the betterment of those we serve. A key theme of ACVFA's recommendations is the desire to see USAID strengthened and equipped for the unique challenges presented in the 21st century. We would hope that our support for a vigorous U.S. foreign assistance program will continue to embrace the contributions of USAID's partners and a revitalized agency.