



USAID
FROM THE AMERICAN PEOPLE

Advisory Committee on Voluntary Foreign Aid

October 24, 2007 Meeting Report

USAID/A/AID
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November 26, 2007

Dear Friends of Foreign Assistance,

Please find enclosed the report for the final public meeting of 2007 for the Advisory Committee on Voluntary Foreign Aid (ACVFA). The October 24 proceedings included the presentation of draft recommendations from ACVFA working groups, a keynote address by USAID's Acting Administrator Henrietta H. Fore, an overview of the HELP Commission's forthcoming report and a dynamic closing panel discussion with USAID Mission Directors.

The morning session was kicked off with a discussion of draft papers prepared by two ACVFA working groups: humanitarian assistance and investing in people. Aply led by Nancy Lindborg and Steve Moseley respectively, the papers provoked much discussion including the need to move past supplemental funding and the core importance of revitalizing USAID's workforce. With the instructive feedback of respondents Rob Chase and Beth Ferris as well as comments made at the public meeting and during the course of the drafting process, the working groups will be finalizing their recommendations in the next few weeks. The ACVFA intends to post the final papers in early December on the Committee web site as well as share with USAID's leadership. In addition, with the support of Acting Administrator Fore, the ACVFA is meeting with USAID bureaus and offices to discuss specific implementation of recommendations and will be tracking them accordingly.

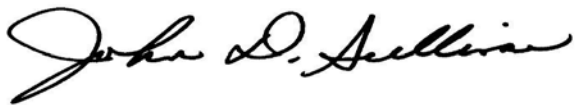
Following the working groups morning panel, the ACVFA received Henrietta H. Fore, USAID's Acting Administrator for a presentation on USAID's overall mission. Her overview of the Global Development Commons as a means to showcase what we have learned during the course of more than forty years of humanitarian relief and development was well received. The ACVFA is pleased to help facilitate a series of Forums in the coming months that will facilitate the best practices and knowledge of the Commons. We will be sharing in the future with the partner community updated information on the Forums and opportunities to participate.

The afternoon session of the public meeting included a report by two members of the HELP Commission, Bill Lane and C. Payne Lucas. It was extremely beneficial to be given a sneak preview of the Commission's forthcoming recommendations as they are intended to directly impact the future of U.S. foreign assistance. And to have this followed by an "on the ground" perspective of the current reforms from three of USAID's Mission Directors, Stephen Haykin, Debbie Kennedy-Iraheta, and Jon Lindborg was

both practical and thought provoking. The lessons learned in program implementation as a result of the framework will be reviewed for years to come and could very well be useful in the discussion around the HELP Commission's report.

In closing, I commend this report to the ACVFA community. The Committee's first public of 2008 will be taking place on February 28 at the National Press Club. We look forward to continuing our Charter's mandate to facilitate exchange and consultation between USAID and its partners.

Sincerely,

A handwritten signature in black ink that reads "John D. Sullivan". The signature is written in a cursive, flowing style.

John Sullivan
Chairman
Advisory Committee on Voluntary Foreign Aid



ACVFA Membership

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Center for International Private Enterprise

Committee Vice Chair

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William Reese

President and CEO
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Elise Fiber Smith

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Richard Stearns

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Constantine Triantafilou

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Ted Weihe

Senior Advisor
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Aaron Williams

Vice President, International Business Development
Research Triangle Institute

Kenneth D. Wollack

President

National Democratic Institute for International Affairs

Sam Worthington

President

InterAction

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**Public Meeting
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OPENING REMARKS AND OVERVIEW OF WORKING GROUPS

Dr. John Sullivan, ACVFA Chairman, welcomed attendees and introduced two new members of ACVFA: Carol Adelman, Director of the Center for Global Prosperity at the Hudson Institute and ACVFA's new Vice-Chair; and Helene Gayle, President and CEO of CARE USA.

USAID asked ACVFA's advice and opinions on the new Foreign Assistance Framework, and in response ACVFA has convened five working groups to consider specific issues. The papers of the first three working groups—on Economic Growth, Governing Justly and Democratically, and Implementation Mechanisms—are now final. Drafts were posted on the ACVFA Web site for public comment and delivered at ACVFA's May meeting for further discussion. The reactions received through both of those forums have been incorporated into the final drafts, which are available on the ACVFA Web site (http://www.usaid.gov/about_usaid/acvfa/).

Today the committee will discuss draft papers from the remaining two working groups, on Investing in People and Humanitarian Assistance. Both have been posted on the ACVFA Web site for several weeks, and will remain there for a few weeks more for further public comment. Then they will be put into a final form that reflects those comments and the discussion to take place today.

The committee has delivered the recommendations from the first three papers to the Acting Administrator, and continues to meet with officials at USAID and other parts of the foreign assistance community to argue forcefully that those recommendations be adopted. It plans to do the same with the final two.

ACVFA WORKING GROUP PRESENTATIONS

(1) Humanitarian Assistance

Nancy Lindborg, *ACVFA Member and President of Mercy Corps*

The working group's paper was a team effort, with contributions from Mary Pack, Vice President of Domestic and International Affairs for the International Medical Corps; Samuel Worthington, President and CEO of InterAction; Judith Hermanson, Senior Vice President of CHF International; Constantine Triantafilou, CEO and Executive Director of International Orthodox Christian Charities; Jim Bishop, Vice President for Humanitarian Policy and Practice, InterAction; and Nancy Zucker Boswell, Managing Director of Transparency International USA. The group had several discussions with USAID's Bureau of Democracy, Conflict, and Humanitarian Assistance (DCHA) and the State Department Bureau of

Population, Refugees, and Migration (PRM), and also held a public listening session.

In the end, the group reached consensus on four recommendations.

1. Maintain an emergency fund with “notwithstanding capabilities,” dedicated to humanitarian assistance. One of the core features of humanitarian assistance is the “notwithstanding” clause, which allows emergency aid notwithstanding other legislation that may otherwise bar assistance to certain nations. Unfortunately, the four accounts that provide funding for emergencies have declined from FY2007 to the FY2008 request by 4.6 percent, including a 17 percent reduction in the International Disaster and Famine Assistance account. The working group is concerned that this may reflect a decline in commitment to maintaining a central emergency fund, which has been a central component of USAID since its establishment in 1961 and one of the main reasons that the United States has been able to respond to crises with speed and efficiency.
2. Fund humanitarian assistance programs through core budgets, reversing the recent tendency to rely on supplemental appropriations bills. Supplemental bills are politically uncertain, complicating planning on the ground and causing work to stop and start, which in turn can lead to a loss of management efficiency, community trust, and in the worst extremes, people’s lives.
3. Create a clear strategy and funding mechanism for programs that provide an effective transition from relief to development. The pause between the end of relief funding and the arrival of development funding is a big problem. Nongovernmental organizations (NGOs) will have created networks, put partners in place, and if they’ve done their job well begun the work on economic recovery—and then have to drop them all. The Office of Transition Initiatives (OTI) represents a good effort, but a narrowly focused one. USAID should either extend the funding cycles of the Office of Foreign Disaster Assistance (OFDA) to include the transitional period or enable more unified USAID relief and development efforts.
4. Make a considered investment in USAID’s ability to respond to humanitarian crises without relying too much on military capabilities. In recent years the United States has increasingly employed the military for emergency responses. The military has unique capabilities—in particular its ability to airlift supplies—but the asymmetry between military funding and that of civilian agencies prepared to respond to humanitarian emergencies is mind-boggling. Civilian agencies are more cost-effective and able to interact with a wider array of partners, including NGOs, other governments, and multilateral institutions, all of which are invariably

present in crisis situations. As USAID's capabilities and funding diminish, so its ability to respond to problems is reduced. Those funds that are available are tied to country budgets or supplemental appropriations. The United States' ability to respond to the world with more than just its uniforms is an important part of its identity that should not be lost.

Response:

Elizabeth Ferris, Ph.D., *Senior Fellow, Foreign Policy Studies, and Co-Director, Brookings-Bern Project on Internal Displacement, Brookings Institution*

All four of the recommendations make good sense. The first two—to find more creative, flexible ways of funding humanitarian responses—are paralleled on the international level by updates and improvements to the United Nations' Central Emergency Response Fund, intended to allow the UN to respond quickly to emergencies. Given that natural disasters have affected some 200 million people a year for the past two decades, and that the number of natural disasters is increasing, it is particularly troubling to see decreases in those funding accounts that allow the U.S. government to respond.

The gap between relief and development has been the subject of hundreds of articles, speeches, and conferences, yet the relief and development communities still haven't gotten it right. In its work with internally displaced persons, Brookings hears from development actors that "displaced persons are a humanitarian issue, we don't work with them." But as displacement drags on, humanitarian agencies move on to the next crisis and development agencies aren't prepared to step in. People end up living in limbo for years.

In 2004, the UN Development Group issued a guidance note on durable solutions for displaced persons, saying that these have been approached in an ad hoc manner and that the needs of displaced people are often not incorporated into recovery and development plans. The guidance note emphasizes that preventing displacement and integrating displaced persons are development challenges. The words are there. The recommendations are clear. But the way to implement them seems elusive.

The same guidance note indicates four different kinds of gaps, which plague U.S. efforts as well:

- Institutional gaps, as different international agencies and government institutions have different operational styles and cultures
- Financial gaps, as funding is often dedicated to either emergency or development assistance
- Temporal gaps, with a particular gap emerging after emergency assistance begins to subside and before long-term development activities begin

- Different program and budgeting cycles, particularly as development actors generally use multiyear planning cycles while humanitarian agencies use shorter ones

As USAID does try to develop a comprehensive strategy, as urged in the Humanitarian Assistance working group's recommendations, it should keep abreast of—and support—the progress of the UN's relatively new Cluster Working Group on Early Recovery, which aims to address these same issues.

Finally, to address the working group's final recommendation that USAID invest in its own response capabilities and avoid relying too much on the military: this is part of a growing debate on the participation of military actors in the provision of humanitarian assistance. As the working group points out, there are times when the military's logistical capabilities are needed. There were few quarrels with the provision of food drops for victims of the Pakistani earthquake or even with U.S. military involvement in New Orleans. But on the whole, the growing military involvement in humanitarian work during conflicts is weakening humanitarian principles.

These principles—of neutrality, impartiality, and independence—developed 150 years ago by the Red Cross movement and recognized by governments and nonstate actors alike, have been fundamental to the way humanitarian assistance is carried out. Those principles have been eroding in recent decades for many reasons. Governments try to use humanitarian assistance to support political objectives. Relief organizations have often compromised humanitarian principles in order to continue operating in a country or to secure funding. The recent book *Humanitarian Diplomacy*, edited by Larry Minear and Hazel Smith, speaks of the “unsavory deals” made in the effort to provide humanitarian aid. Accusations in certain parts of the world that humanitarianism is a Western or Christian concept jeopardize the lives of humanitarian workers.

Military involvement in humanitarian missions brings these tensions even more to the fore. When military forces carry out humanitarian work, they do so in support of a military mission. That's the way it should be—the military isn't created to do good works and feed hungry children. It is not based on humanitarian principles of neutrality, impartiality, and independence. Given the preponderance of U.S. power in the world, U.S. military involvement in humanitarian assistance has a huge impact on humanitarian workers everywhere. When we lose humanitarian ideals, we are losing something very precious.

Questions and Answers

Sam Worthington, ACVFA Member, asked what USAID can do to decrease its dependence on supplemental appropriations.

Ms. Lindborg said that it would be important to discuss tactics in that regard with USAID staff. The recommendation is to include necessary funding in the core annual budget request instead of assuming that it will be included in a supplemental appropriations bill should an emergency arise.

Ted Weihe, ACVFA Member, said that the working group may have been too kind in its description of OTI. Congress feared that OTI would be a backdoor way to use “notwithstanding” funds for inappropriate purposes. Consequently it has many limitations on where and how it can be used. It may be possible to restructure OTI to fill the transitional gap, but for the most part today it tends to enter a country with small grants and doesn’t work with the groups doing emergency assistance.

Ms. Lindborg replied that OTI was created for a narrow purpose: to aid in aspects of transition so political that most NGOs were reluctant to take them on. Serbia was one of its early shining successes. Unfortunately its name suggests broader purposes than it was intended for. In recent years it has tried to meet larger needs, but in a way that has been wholly inadequate, structurally inappropriate, and not fully funded. It occupies a narrow and potentially valuable space, but it is not a solution. It doesn’t work to connect with NGOs because it was not intended to work with NGOs at all.

John Sullivan, ACVFA Chair, asked how the working group recommended filling the transitional gap.

Ms. Lindborg said the working group recommends that USAID do one of three things: expand the OFDA mandate with longer-term funding; create a separate mechanism that would connect humanitarian assistance and development; or expand the mandate of USAID missions to include transition as well as development. The OFDA expansion would be easiest, but it would have to be met by division planning.

Judith Hermanson, ACVFA Member, noted that two of the four gaps identified by the UN are structural or institutional rather than financial. She asked how those gaps might be bridged.

Ms. Ferris said that her impression is that it has been easier for humanitarian actors to see the need to cooperate than for development actors to modify their ways of working to address the gap between relief and development. There are cultural borders as well. Those in relief and development need to get to know each other. She said that she has even suggested weekly happy hours at the UN to allow professionals from both realms to meet informally and cross the cultural divide.

(2) Investing in People

Stephen F. Moseley, *ACVFA Member and President and CEO, Academy for Educational Development*

The working group received great contributions from William Reese, President and CEO of the International Youth Foundation; Elise Fiber Smith, Senior Policy Advisor on Gender for Winrock International; George Ward, Senior Vice President of International Programs for World Vision; Ted Weihe, Senior Advisor to the International Development Division at Land O'Lakes International; Sam Worthington, President and CEO of InterAction; Alex Fallon of the Academy for Educational Development; and Randy Tift of World Vision. The group sent a preliminary draft of its paper to the Global Health Council, Basic Education Coalition, InterAction, and Women's Edge Coalition communities, and to ACVFA itself. It received many valuable comments.

"Investing in people" means primarily investing in education and health, but it also means recognizing that those investments have repercussions in all other areas of development. Investing in people has been a hallmark of the United States' success in foreign assistance: many of America's most important trading partners today were once emerging economies receiving these sorts of investments.

To extend this record of success, the working group recommends that USAID:

- **Revitalize its workforce.** USAID has begun to lose some of the professionals it needs to design good programs and argue for appropriate funding and implementation. The Agency should expand its staff, especially with experienced, direct-hire personnel for field missions. It should also explore alternative personnel arrangements with NGOs, universities, and businesses.
- **Demonstrate clear leadership and make sustained resource streams available.** The past two years of discussions about "investing in people" seem to be leading toward a shift to shorter-term goals than have been used in the past. The Administrator should make it clear that these investments have specific *long-term* aims. We know that it can take as long as fifteen or twenty years to build solid partnerships with the local organizations and governments that will ultimately be responsible for programs' success. Lately when those in Washington talk about "long-term" thinking, they seem to be looking ahead only as long as five years, which is enough time to complete a single project and evaluate it, but not to build a sustainable program.
- **Foster linkages among elements of the Foreign Assistance Framework.** The Framework should be used to allow those in the

development field to exchange ideas across sectors. As the working group understands it, the Framework was never intended to segregate Investing in People from other program areas, but rather to encourage those making the investments to align them with needs in economic growth, democracy and governance, and other sectors.

- **Strive for continuous improvement in programs.** USAID should not look only for certain limited outcomes, such as improvements in school attendance or graduation. These measures are important. But in the long term, the Agency must take into account the result of school attendance, the learning that takes place, and the broader impact on the community.

These qualitative changes are difficult to measure, and it is hard to find the resources to do the necessary evaluation. At one time USAID required qualitative research in parallel to all programs and projects it funded. In the last few years, however, such research has become much less common. Some members of the working group suggested that USAID might require grantees to invest 3 to 5 percent of their awards in qualitative and quantitative evaluation. USAID should also bolster its support of knowledge-sharing mechanisms within the Agency and with other government entities and NGOs.

- **Fully integrate gender considerations.** USAID has an office to deal with gender issues, but the program area has been deemphasized in recent years. To some degree this reflects progress that has been made in integrating gender concerns into all programs. But in the long run strong, explicit leadership is required to ensure that progress is measured and accounted for.
- **Address underfunded areas of need.** USAID shouldn't focus merely on traditional areas of education, or on its new, major investments in HIV/AIDS and malaria. It must make sure that these efforts continue to build on strong child-oriented, maternal health and nutrition-support systems, which ensure underlying principles of health and are necessary for the success of other targeted investments. Unfortunately, funding for child and newborn health has declined 50 percent in the last five years. To some degree this reflects other investment priorities, but without these basic investments the larger efforts may not succeed.

Investments must be made to meet the urgent needs for more access to quality secondary school, especially in light of the large "bulge" in the youth population (ages fifteen to twenty-four) in many countries. These youth require relevant employment-oriented education and training.

In addition to primary education, investments must also be made in higher education, to give people hope that they can go not only beyond primary school, but beyond secondary school.

Investing in People is a hallmark of USAID. The American people expect that U.S. foreign assistance will continue to focus on investing in their colleagues around the world.

Response:

Robert Chase, Ph.D., *Lead Social Development Specialist, Social Development Department, World Bank*

The report's main messages hit many of the right notes. It argues that American foreign assistance must invest in human needs such as education, health, and social safety nets, and that such investments are the glue binding together all the pieces of the new Foreign Assistance Framework. This is particularly welcome because, from the outside, there has seemed to be tension lately between foreign assistance narrowly focused on U.S. interests and assistance intended to meet broader Millennium Development Goals and humanitarian needs. The paper of the Investing in People working group rightly argues that these must be discussed jointly.

The working group might do well, however, to consider three questions.

First, what is the paper's story line? What does the working group think can be improved? Answers to those questions were clearer in Mr. Moseley's presentation than in the paper itself. The current draft of the paper does not identify what aspects of the status quo needs to be changed—in fact, the working paper's recommendations are not significantly different from what's on USAID's own Web site. How are resources spent today? What problem does the report seek to solve?

Second, what does the working group think is the most important? When asked what his group wanted Samuel Gompers, founder of the American Federation of Labor, was once quoted as saying, "We do want more, and when it becomes more, we shall still want more." Everyone can agree with the things the paper wants more of:

- More dedicated direct-hire specialists
- More long-term budget commitments and planning
- More cross-sectoral integration and collaboration
- More focus on education
- More institutional capabilities
- More monitoring and evaluation
- More programs for youth and women

Yet as advocates for Investing in People, what should be the focus of “more?” A more difficult way to ask the question is, “What do we want less of?” In a zero-sum budget situation, what should be reduced if investments in people are to be most effective?

Finally, what is the best way to accomplish these goals? The World Bank has issued a sectoral strategy with many of the same themes as those the working group identified: the need for more education, better cross-sectoral linkages, improved long-term planning. But what methods are available for these to be done more effectively?

In Uganda, the World Bank recently conducted a rigorous evaluation, with randomized participation and before-and-after measurements, of a very simple intervention: hanging a poster in the local health clinic. The poster showed how the clinic stacked up both to its neighbors in the district and to the district average with regard to waiting times, availability of drugs, and infant mortality. It provoked discussions, which the World Bank provided resources to facilitate, about what the community’s plan should be to address its health-clinic numbers. The results were reductions in waiting times, improved availability of drugs, and lower infant mortality.

The lesson the World Bank takes is that it is necessary to bring together program areas of the types described in the Foreign Assistance Framework, in this case democracy and government, anticorruption efforts, and health. This intervention created a local demand for good governance through community empowerment and more transparent information, which in turn led to better health.

Questions and Answers

Ted Weihe, Aaron Williams, and Sam Worthington, *ACVFA members, joined the panelists to answer questions regarding the final recommendations of the working groups on Economic Growth, Governing Justly and Democratically, and Implementation Mechanisms.*

Alexandra Garcia, President of the Fabretto Children’s Foundation, noted that the Implementation Mechanisms working group recommended that USAID move away from large, omnibus grants. She asked how that would align with the Humanitarian Assistance working group’s recommendation for more transition funding, since the big organizations bringing humanitarian relief are not the same as the small ones doing community-based development.

Ms. Lindborg said that there was no contradiction. Many of the organizations that belong to InterAction do both relief and development, and partnerships are an important part of any response. The Implementation Mechanisms working group specifically recommended increasing USAID’s operating-expense budget

to ensure that the Agency isn't forced to rely on omnibus funding to large contractors.

John Sullivan, ACVFA Chair, added that the Implementation Mechanisms working group felt USAID has been handicapped by a lack of money to hire grant administrators. The result has been a reliance on large "indefinite quantity contracts" (IQC). USAID needs enough staff to design the appropriate instruments for each situation.

Ms. Lindborg commented that the Implementation Mechanisms paper discusses the need to find ways to keep smaller NGOs competitive. The dissolution of USAID's Office of Private Voluntary Cooperation has eliminated those smaller NGOs' main point of contact.

Rob Nooter of the Overseas Cooperative Development Council recalled that USAID told the Implementation Mechanisms working group that although the Agency lacks formal regulations governing the use of subcontractors under prime contractors who receive IQCs, it does monitor and put pressure on those prime contractors to make sure they spread their resources. But, he said, he had since discussed the issue with the chief technology officers of several IQC recipients, and not only did they agree unanimously that they had no information on the question, they said they had no mechanisms in place even to collect it.

Mr. Worthington said that those comments were in line with several of the working group's recommendations, specifically that USAID describe where resources are going and measure their allocation by type of implementation mechanism. It is true that at this time USAID does not have the ability to examine these things.

Ms. Lindborg added that the goal is not just to improve the IQC mechanism but to examine whether it is an efficient, effective way to do the best work. The main problem it seems to address is the lack of management personnel at USAID, caused by the declining operating-expense budget. Often IQC recipients introduce a new group of players without experience in the given environment, and add layers of overhead as they attract new partners. As a result, while IQCs may be more efficient for USAID management, they are less efficient at delivering resources to the field.

Mr. Sullivan said that rather than asking whether IQCs should be used and what are acceptable levels of overhead, USAID should design grants appropriate to a project's development goals. Missions have far too few people to design appropriate projects for their development strategies, and as a result they rely on IQCs, which are in a sense mechanisms for avoiding federal procurement regulations. This points to a fundamental, structural problem with the integrity of the system.

Mr. Moseley said that all development and relief organizations have begun to work more collaboratively in recent years. On the ground, though, while all these organizations aim to strengthen local institutions for relief and development, they are not good at sharing information about whom they are working with. Ideally, any organization should be able to make use of the institutional capabilities others have helped build. In the long run, such linkages would help countries make transitions far faster.

Mr. Worthington said it was nice to see USAID recognize the need to invest in its own people, moving from a budget with a 15 percent decrease in core operating expenses to one where the indications are that that will reverse. Meanwhile, the cultural gap between humanitarian assistance and development is a serious one. InterAction is trying to break down some of those barriers among its members. In most humanitarian emergencies there are already development agencies working in the affected areas on long-term objectives.

Mr. Moseley said that Mr. Chase's response presentation included some important points. The Investing in People working group recognized that some of its recommendations do require more resources, but it also recognized that "more" is not necessarily better. "Small" is sometimes beautiful—when it is well planned and intended to test ideas for large-scale application. "More" can also mean better qualitative evaluation and attention to cross-sectoral outcomes and the ability to accomplish more with the large investments that are made. In particular when it comes to the Investing in People program area, however, advocates must be loud and persistent about the need for more investment, lest long-term efforts be lost to short-term expediency or politics.

Mr. Sullivan noted that the Foreign Assistance Framework contains declarations of strategy for both Economic Growth and Governing Justly and Democratically, but does not seem to have a similar strategy for Investing in People. He asked whether USAID did have an underlying strategy in this arena.

Mr. Moseley said that USAID is good at providing strategies within traditional sectors of Investing in People relating to particular aspects of health and education. The working group suggests that larger, longer-term strategies are needed that link investing in education, for example, to workforce development, youth engagement, employability, and more. If those in charge of designing those programs have enough staff to create comprehensive strategies, then the resulting investments will have a greater long-term effect. Unfortunately, in the areas of basic education and health underlying budgets have declined despite major increases in such vertical efforts as the fights against HIV/AIDS and malaria.

Mr. Williams said that the Investing in People working group's focus on fostering linkages between programs is consistent with the Governing Justly and Democratically group's desire to break down barriers. It makes sense to invest in

the people who are going to make up democratic governments. The private sector also has an important role to play. USAID should look for ways to promote more vigorous private-sector involvement in programs that strengthen civil society and lead to stronger democracies.

Mr. Weihe said that USAID faces a structural problem as well: an Assistant Administrator at the Agency told the working group, “USAID can’t do policies anymore, they all have to come from F Bureau.” USAID cannot create strategies if it no longer has any policy capabilities. The one person in the F Bureau whose responsibility it might be to devise strategies told the working group he was too busy reporting and responding to questions from the Hill to come up with any. Even when USAID did have a policy office, its strategies were not implemented well. They started as nice ideas, but once all the bureaucratic compromises were made they lacked focus, and then staff in the field did not put them into action. If ACVFA is to recommend better strategies, it must consider questions of who will create them and how they will be put into practice.

Mr. Worthington said that the paper tried to stress how important it is for USAID’s investments in people to relate to massive vertical investments such as the President’s Emergency Plan for AIDS Relief (PEPFAR), especially as USAID’s portfolio of foreign-assistance programs shrinks.

Mr. Sullivan asked whether Mr. Chase had found a USAID strategy on Investing in People. He also asked whether the World Bank had one.

Mr. Chase said that a recent World Bank strategy on social development was its twenty-third—and the Bank’s board asked staff not to prepare any more. The real challenge is to follow through on strategies, to turn them into behavior on the ground and changes in spending. He added that with respect to the idea of scaling up small innovations, earlier this week the World Bank had its annual meetings. At those meetings the governing board approved an implementation plan for the World Bank’s governance and anticorruption strategy. One part of that strategy is to expand to a large scale certain small, successful programs that aim to increase demand for good governance, and to figure out ways to directly support civil society. Today the Bank does \$1.6 billion a year in community-driven investment, and it is looking to do more by working more closely with local civil society. Those community development investments of \$5,000 each are not easy for an institution used to making \$100 million loans, but they already represent 10 percent of the Bank’s portfolio—and the board wants it to be more. To accomplish that the Bank will need to learn what NGOs already know in the fields of democracy and good governance.

Mr. Sullivan thanked Mr. Chase for the invitation and said ACVFA ought to follow up on it.

Judith Lahai-Momoh of Saving Lives Through Alternate Options praised USAID for doing a better job lately of passing information to NGOs not based in Washington, D.C. She suggested that ACVFA make a greater attempt to attract the participation of professionals from developing nations now living in the United States.

Myeong Hwa Jang of Radio Free Asia noted that Ms. Lindborg's presentation discussed the need for USAID to reduce its reliance on supplemental appropriations. Yet recently Mercy Corps received \$50,000 to provide blankets, shelter materials, water containers, and other supplies to respond to floods in North Korea. Mercy Corps has also undertaken developmental aid to North Korea. USAID programs clearly distinguish between funding for relief and development. She asked whether Mercy Corps planned to use supplemental-appropriations-based funding from USAID to support its development work in North Korea.

Ms. Lindborg said that the problem with supplemental appropriations is that USAID is increasingly reliant on them to meet large emergency needs. The \$50,000 Mercy Corps received for North Korea came from "notwithstanding" OFDA funds—a good example of how these funds allow emergency aid despite political sanctions. Because of those sanctions on North Korea, Mercy Corps' other development work is all funded with private money.

KEYNOTE: USAID AND TRANSFORMATIONAL DIPLOMACY

Henrietta Holsman Fore, *Acting Administrator, USAID, and Director of U.S. Foreign Assistance, U.S. Department of State*

Ms. Fore welcomed ACVFA'S two new members: Dr. Carol Adelman of the Hudson Institute and Dr. Helene Gayle of CARE USA. Dr. Adelman is an expert on private resource flows in the developing world. She has agreed to serve as ACVFA's Vice Chair. Helene Gayle is president and CEO of CARE USA. Prior to assuming her current position she was director of HIV, Tuberculosis, and Reproductive Health Programs at the Bill and Melinda Gates Foundation. Both Dr. Adelman and Dr. Gayle can be expected to serve with exceptional acuity, care, and understanding.

Since ACVFA's last public meeting in May, Ms. Fore has received periodic updates from the Committee's working groups. In July she met with representatives from ACVFA to discuss the working groups' final recommendations on Economic Growth, Governing Justly and Democratically, and Implementation Mechanisms. She thanked the group leaders: Ted Weihe, Aaron Williams, and Kenneth Wollack. Their recommendations were practical and included both near-term and farsighted advice. She also thanked the

Humanitarian Assistance and Investing in People working groups for their recent efforts under the leadership of Nancy Lindborg and Stephen Moseley.

Other members of USAID's senior leadership have also met with the working groups to discuss their recommendations. Earlier this month, for example, Paul Bonicelli, Assistant Administrator for Latin America and the Caribbean, held a joint meeting with members of the Economic Growth and Governing Justly and Democratically working groups to discuss how to integrate USAID's economic growth and governance programs better at the field level. Among other matters they discussed a recommendation to cross-train governance and economic growth officers, which would set a fine new precedent.

In addition, over the course of the summer the Implementation Mechanisms working group held several meetings with USAID's Office of Acquisitions and Assistance to discuss ways to improve guidance for USAID missions and refine USAID's Automated Directives System chapter on procurement. This dialogue will continue over the course of the next several months.

USAID and the State Department's Office of the Director of U.S. Foreign Assistance (DFA) now look forward to the final recommendations of the remaining two working groups.

During the past few days, all of USAID's mission directors have been in Washington for their semiannual conference. The event highlights many of USAID's recent collaborations with the Department of Defense, the Department of State, and others. One of the areas under discussion has been new public-private partnerships—and of course this is an area where ACVFA can be tremendously helpful, giving USAID advice on how to reach out to the private voluntary organization (PVO), NGO, and foundation communities.

For example, USAID's Foreign Service Corps is very young. Half of its foreign-service officers have entered duty since 2001. These new officers must learn rapidly, and USAID needs its NGO and PVO partners to help get them up to speed.

USAID has lately been putting more and more emphasis on country-led programs. The Agency plans roundtables at the country level, to be led by USAID mission directors, that will gather all U.S. government agencies and all NGOs doing work in that country. USAID hopes these will be candid, forthright discussions.

Ms. Fore said that in the previous week she had presided at a graduation ceremony in Romania and in Bulgaria. In her address she told the graduates that they represented USAID's future. USAID's programs in those two countries over the past 17 years are the model for what the United States hopes can happen in developing countries around the world. Romania and Bulgaria have now joined

the European Union and NATO, and are moving from dependency on foreign assistance to partnership with the United States. In part this is thanks to the collaborative, public-private work USAID participated in. The Agency helped start many nonprofit organizations that are now part of the strengthening fabric of those societies.

At the recent World Bank meetings, Ms. Fore took part in the public release of the Doing Business 2008 report. It is satisfying to see the World Bank recognizing the good work of so many governments. In many cases it has been the members of ACVFA and USAID itself who helped these countries lift bureaucratic burdens and achieve regulatory reforms that allow entrepreneurs to do business more quickly and effectively. This brings prosperity to countries around the world and reduces poverty. As in developed economies, economic progress in today's poor countries will involve more interconnectivity and less bureaucracy and vertical organization.

Forty years ago, only 30 percent of U.S. capital flows to the developing world were private funds; 70 percent came from official U.S. government assistance. While the United States has more than doubled official foreign assistance in this decade, American private capital flows in the developing world tripled in the years 2003 to 2005 alone. Private funds now represent 80 percent of the capital flowing to developing countries.

But the vast majority of private investments go to the rapidly growing economies of China and India. That means that public foreign investment remains vital to those regions and countries whose economic and political climates are less attractive to private investors. The integrated work of USAID and the NGO community increases stability and creates conditions conducive to investment, which drives growth and reduces poverty.

In the new, global economy, no single actor can bring about sustained results. Public-private partnerships unite partners' skills, technologies, and energies, and apply them to development challenges. A combination of public and private sectors' complementary assets can encourage innovative approaches around the world, more effective problem-solving, and a greater development impact. With greater economic freedom, greater access to and freer movement of capital, information, and ideas, the people of the developing world can write a bright new chapter in their history.

This next chapter takes the form of what can be called the "global development commons." The global development commons is not a government program, nor is it a business enterprise in the traditional sense, nor is it strictly a nonprofit activity. It is an environment—partly virtual, partly real—that helps all three of these sectors promote freedom and prosperity in the developing world. We do not have to call it into existence because it already exists and we are all a part of

it. But those in the development community can make it more robust and productive if they work together.

Ms. Fore invited ACVFA to cohost with her a series of global development commons forums. These forums would allow participants to share the knowledge they already possess from decades of development experience. They would also address what is not yet known, areas of debate, and best practices. The recommendations from ACVFA's working groups have laid a solid foundation for these discussions, and the expertise and variety of backgrounds represented on the Committee will inform a vibrant dialogue.

Questions and Answers

Stephen Moseley, ACVFA Member, noted that when CEOs speak about investing in Africa, they mostly mean Johannesburg and Cairo. He asked how the development community can engage the private sector in the rest of Africa.

Ms. Fore replied that the President has announced an education initiative that will be primarily focused on Africa, but will also extend to other critical countries. Without education, many other development goals cannot be achieved. USAID has a program to link historically black colleges and universities with universities, secondary schools, and primary schools in many countries in Africa. Chicago State University, for example, has developed a series of first- and second-grade math and science textbooks of such high quality that Ghana now uses them in its entire school system. Other countries are now considering adopting them as well. Such partnerships are starting to set best practices. Companies are interested in investing in education because they want educated consumers and workers. USAID and NGOs can make a case for strong public-private partnerships. Many of the companies interested are information technology and food companies, powerful partners for education across the continent.

Ted Weihe, ACVFA Member, asked for more detail on how these “commons forums” would be convened.

Ms. Fore said that the ACVFA working groups' papers would be of interest to any organization involved in development. They are descriptions of best practices that USAID can share with host and donor countries. Countries around the world have a strong interest in how the United States is reorganizing its foreign aid. USAID has discussed showcasing certain PVOs along with examples of donor coordination in countries including Afghanistan, Ghana, and Tanzania.

Sam Worthington, ACVFA Member, said he had recently been in Brussels to discuss the Paris Declaration on Aid Effectiveness with the umbrella organization for European NGOs. So far the Paris Declaration has largely been a discussion between southern governments and northern donor nations, without adequate NGO participation, even though European NGOs invest some \$20 billion in all.

Another recent meeting, held by the Independent Sector in Los Angeles, drew organizations from nonprofits and philanthropies across the United States, many of which are just beginning to reach overseas. He asked how those in the development world could broaden such instruments as the Paris Declaration to include players like NGOs and businesses.

Ms. Fore said that USAID would welcome ACVFA's suggestions about whom to include in the global development commons forums. The discussions should be as inclusive as possible—there will be virtual forums and real ones as well. Ms. Fore said that at the recent World Bank meeting she discussed the Paris Declaration with the Nordic Plus countries, and the United States has proposed adding a section on public/private partnerships.

Aaron Williams, ACVFA Member, thanked Ms. Fore for the idea of a global development commons. He suggested that one way to make the most of it would be to attract participation from powerful players in the business world, including Business Roundtable, The Conference Board, and the U.S. Chamber of Commerce.

Ms. Fore agreed.

John Sullivan, ACVFA Chair, observed that much of this “global development commons” discussion appears to center on knowledge management, a growing trend in the corporate sector. Knowledge management is not about textbooks or academic studies, but rather about creating frameworks where people can track processes, measure results, and upload them to central databases. Perhaps USAID should create a Chief Knowledge Officer to develop wikis or other, similar tools to allow people to upload success stories to a central location.

Ms. Fore said that was a good idea. The efficient exchange of knowledge is part of the idea of a development commons.

William Reese, ACVFA Member, asked how, if the global development commons already exists, it can be strengthened. He said that the following week he would be speaking about corporate responsibility to the American Chamber of Commerce in Helsinki, and asked whether he could discuss with them the prospect of joining a global development commons with the U.S. government. Ultimately, a global knowledge system must be multilateral to aid American public diplomacy.

Ms. Fore replied that yes, USAID wants the global development commons to be collaborative, integrated, and worldwide.

Mr. Sullivan said that ACVFA would like to work with her on the “global development commons” idea. It will face a collective action problem, in that since no one owns it, it will be difficult to motivate those who participate in and benefit

from it to care for it. Solving such a collective action problem will require several things. First, there must be a clear vision of the commons. Ms. Fore articulated one in her speech. Second, those involved in it must have a strategy. The forums Ms. Fore described will offer an opportunity to begin to craft one, and to identify potential participants. Third, there must be incentives for those participants. ACVFA must begin thinking about what the incentives to contribute knowledge could be—recognition and visibility, for example. Finally, the effort will call for technology-based knowledge-management tools like wikis or Google Maps. ACVFA will have to consider how to incorporate those technologies into its members' organizations and into USAID itself. This is a full agenda. ACVFA is up to it, but USAID's staff will have to help.

Judith Lahai-Momoh of Saving Lives Through Alternate Options said that the new democracy of Sierra Leone is now ready to return to civil war unless something is done right away. She said she appreciated USAID's encouragement to work with private companies. Pfizer in particular has donated much useful equipment to Sierra Leone. Saving Lives Through Alternate Options is involved in several different activities at the moment, including providing sterile equipment to midwives and conducting a needs assessment in the Democratic Republic of the Congo. She urged USAID to work with small NGOs that have active ties to communities, not only larger organizations.

Juliana Pilon of the National Defense University and the Institute of World Politics said that an enormous amount of good is being done by USAID's partners, but their work is not widely known. She asked how it could be better publicized.

Ms. Fore acknowledged that it is difficult. She suggested that perhaps ACVFA could convene a working group on the topic. It is frustrating to see the gratitude of people in places like Bulgaria and Romania and not be able to communicate to other countries what USAID has learned from those successful experiences. It is also frustrating that the United States does not seem as able to talk about its accomplishments as some other major donors, such as the European Union.

Carol Adelman, ACVFA Member, said that the Committee and USAID should also take note of the growth of community foundations in developing countries, particularly in Africa. This is one of the striking findings of the Index of Global Philanthropy.

United Way International is identifying high-net-worth people in Africa and starting tremendous philanthropy there.

Ms. Fore agreed, saying that it is important to have local ownership of all programs.

A participant from Johns Hopkins asked whether Ms. Fore saw any "low-hanging fruit" among the recommendations of the working groups, and whether

there were any she had a special interest in pursuing—in particular among the recommendations of the Implementation Mechanisms working group.

Ms. Fore said she thought the suggestions of the Implementation Mechanisms working group were very important, but dependent on increasing USAID resources to allow more hiring. This summer USAID's priority has been to fight for its place in the current budget, to be sure FY2007 funds are moving to the field, and to put in place the 2009 budgets request. USAID will request more resources in 2009, and is considering ways to shift its 2008 resources to begin to implement the working group's suggestions.

Tom Verdoorn, Vice President of Land O'Lakes' International Development Division, said that now is a good time to pursue public-private partnerships. More than ever before, corporations with a long history of philanthropy at home are looking at the developing world with new eyes. Recently the World Bank issued its *World Development Report for 2008*, and it was almost entirely focused on agriculture. Yet in USAID's most recent budget, funding for agriculture programs declined 20 percent. He asked whether USAID was likely to join the World Bank with a renewed focus on agriculture.

Ms. Fore said that USAID had just held a forum on agribusiness in Africa, because the Agency feels there is great potential for development in that arena. One item that emerged from the discussion is that sometimes USAID's funding streams are not as transparent as they might be. In many areas, for example, the most important thing one can do for agribusiness is build a road so farmers can move their produce to market. In other areas it may be important to streamline customs and allow the movement of fresh meat. Neither would appear as agriculture funding in the USAID budget, but they do affect agriculture. USAID's 2009 budget request does include increased funding for agriculture programs.

Alex Garcia of the Fabretto Children's Foundation noted that USAID's budgets for Central and Latin America have decreased in recent years. She asked how mission directors felt about that, and where those countries should fall on the list of priorities.

Ms. Fore said that the 2009 budget request includes robust funding for Central and Latin America. Recently the President announced a request for supplemental funding because Mexico and the Central American countries offer good opportunities for partnerships in all areas of development.

HELPING ENHANCE THE LIVELIHOODS OF PEOPLE AROUND THE GLOBE (HELP) COMMISSION

C. Payne Lucas, *CEO, Lodestar, LLC, and member of the HELP Commission*

HELP Commission Creation

The HELP Commission resulted from Rep. Frank Wolff's (R-Va.) lack of satisfaction with the United States' record of foreign assistance. Rep. Wolff's perception was that after years of foreign aid, those we purported to help continued to be in poverty and poor health. Rep. Wolff questioned the validity of the U.S. foreign-aid program. The HELP Commission's general mandate was to find out what, if anything, was wrong with our foreign-aid program, suggest ways that the program could be corrected, and report our findings and recommendations to the President and the Congress. Over the previous twenty months the HELP Commission traveled the developing world, learning about our USAID programs. Commissioners held numerous hearings and received input from many distinguished experts in development assistance. Finally, the commissioners sought to reflect upon their findings and develop proposals to be included in a soon-to-be-released report.

The Report

The report will have something for everyone. This does not mean that it represents a hodgepodge of unrelated ideas. It means that the way U.S. foreign aid currently operates will dramatically change. This will affect the foreign-aid establishment and its stakeholders. It will not be "business as usual." Certain members of the NGO community are not going to like it. Why? It is because they will have to adapt or die. Yet the HELP Commission is counting on the NGO community to recognize the worth of its findings and embrace them and help sell the report and its recommendations to the American people. The Commission recognizes that enough literature has been written on this topic to fill libraries. But the Commission also realizes that if this report is not heeded, the consequences for the future of foreign aid will be damaging to both those whom the United States desires to assist and to our national goals. Unfortunately, the Commission is not at liberty to share its recommendations with the public until it is first delivered to the President and to Congress.

Select General Findings

The HELP Commission found that there were very few USAID mission directors satisfied with the current AID programs. The commissioners asked each mission director with whom they met, "What do you think of the Millennium Challenge Corporation [MCC]?" Bottom line: most mission directors were not happy that development programs they started and nurtured were turned over to the MCC. These mission directors view such programs as their own but believe they receive no credit for them.

One specific part of the Commission's mandate was to try and find out who has ultimate responsibility for foreign assistance in a given country. That was difficult. The commissioners learned that there are over fifty U.S. government agencies

involved in foreign aid and a range of different funds focused on specific problems. What happens in a country when an ambassador says, “We want this program?” How many USAID mission directors are prepared to reject an ambassadors’ recommendation?

One finding of the commissioners was that people in many places still lack access to clean water even though the United States has been digging wells around the world for years. This is not startling. The United States has no true water policy. But then again, the United States no longer has any agriculture programs, either. Believe it or not, the Food for Peace program could be on the way out, too.

One of the people with whom the commissioners met said that there was no need to worry about the Food for Peace program because the Gates Foundation would take care of it. They can fix almost anything, the person said. If this is true, then what do we need USAID for?

The commissioners looked for evaluations of what programs work and what programs fail. They found none. Of course, how could there be evaluations when there is no staff to conduct them? To send people into the field to conduct evaluations, they must speak the local language. Yet the United States continues to send people abroad with no language skills.

Commissioners questioned why U.S. foreign assistance was not effective. Among the answers from various respondents was one most often mentioned: because those in the foreign aid community spend so much time on petty things. If given a test today on what is happening in the Democratic Republic of the Congo, most of the people in this room would fail. This is one of the most important countries in Africa—full of biodiversity and economic potential, situated right in the center of that continent. Yet the United States spends few resources there. Its appropriation for the coming year will be insufficient to meet even the minimum needs of its eastern region, an area being destroyed by ethnic warfare and morally diminished by the rape of its women.

A Case for the HELP Commission Recommendations

How can one build a country without also supporting housing, agriculture, or education? How can one build a country when per-capita income is less than \$500 per year? How can we address these serious development questions when we spend all of our time trying to manage the “150 Account” that dates back to 1960?

There are people who say, “We do not need any more money; we can solve anything if we just reduce the corruption.” Do not believe it. USAID needs more money now and NGOs, in particular, need to say so. Professional development officers need to be hired and one does not become such an officer solely with

degrees from Harvard and Yale. One gets there by working in the field and learning the rules of the game. Compare the costs to train a jet pilot with that of a development officer. Does not development aid contribute significantly to defense and diplomacy? USAID needs to speak up on behalf of development as an equally contributing partner alongside American national security goals of diplomacy and defense. Realistically, USAID must be aware that the Department of Defense could end up doing all of its work. That is yet another problem that must be addressed, not just by the HELP Commission but also by ACVFA.

Summary

This is a different world in which Americans live, post-9/11. An updated USAID must evolve. Routine evaluations must be compulsory for development assistance programs. We must make it obligatory that all development programs be sustainable. All development programs must have host country counterparts combined with host country investments. For unfortunately around the world people still are devastatingly needy. Indeed the United States must go beyond humanitarian assistance, since the enemy thrives upon a situation that exploits people who are poverty-stricken—starving, no jobs, no education, no health care, and no opportunity. Let us escape this quagmire by marrying our development assistance with diplomacy and defense.

Let us increase the world's stability quotient by the important but necessary evolution of our USAID program. We must, however, constantly recognize that the United States cannot do everything; it must work with all other donors. But first the United States must reorient its development assistance structure and finances. September 11 taught our countrymen that we live in a global society. Now is the time to sell foreign assistance to the public.

William Lane, *Washington Director for Governmental Affairs, Caterpillar, and member of the HELP Commission*

The experience of the HELP Commission indicates that the glass is a little more than half full. The MCC appears headed for good things, and though there are no great successes yet, there are no great failures either. PEPFAR is having a positive effect, with communities coming back to life thanks to the drugs it has made available.

What is most impressive is the high quality of foreign-service personnel. This is particularly impressive given that USAID faces the same challenges as businesses in attracting and retaining people, only with less flexibility.

The report will have several broad themes:

1. **Stop doing harm.** Not only the United States but also Europe and other developed nations maintain their highest trade barriers against the world's

poorest countries. The United States' highest tariffs are against Mongolia, followed by Cambodia, Bangladesh, Laos, and Sri Lanka. The United States has effective tariff rates against these countries fifteen times what it charges Europe.

The United States provides \$81 million a year in aid to Bangladesh while collecting \$500 million in tariff revenue from Bangladesh, six times as much. The United States collects six times as much in tariffs as it provides in aid to Cambodia as well, three times as much for the Philippines, four times as much for Indonesia. In Sri Lanka, the United States collects \$250 million in revenue and provides \$23 million in aid. When countries finally get to the point that they can start exporting textiles and shoes, that's when the United States starts taxing them. We collect more in duties from MCC-eligible countries than we provide in MCC aid.

Partly that can be blamed on companies like Caterpillar. If there's a product in the world that Caterpillar needs to import, it gets the duty removed or suspended during some trade negotiation—and there are many other companies doing the same thing. But no one is working to lower tariffs on products from these poor countries.

The easiest way to stop this is through a comprehensive duty-free, quota-free regime for poor countries and MCC Compact countries. It would be best to do that multilaterally, but the United States should do it unilaterally if need be.

Along the same lines, the United States must reform farm subsidies. It is the richest country in the world; it doesn't need to subsidize to the point that we squash any farmer in Uganda who gets to the point of being able to export cotton.

To further promote trade, the United States must do a better job of financing infrastructure, especially in landlocked countries. The MCC is a step in the right direction—over half of its funding is for infrastructure projects.

2. **Rebuild American capabilities.** USAID has dropped too many of its in-house capabilities and become reliant on contract officers rather than aid professionals. USAID needs to double the size of its professional corps and adopt state-of-the-art human resource methods.

In part the challenge USAID faces is the same as that facing business: young people no longer expect to stay in a job for thirty years. Businesses are responding by making it easier for people to leave *and then come back* at the same level they left. USAID should experiment with sabbaticals and retention bonuses. It must not only attract the best but retain them.

USAID must also make more of the capabilities it does have through more effective collaboration with all partners.

3. **You can't always do more with less.** If development is to be as important as diplomacy and defense, it must have more resources. The door is open for this. The 150 account has been the fastest-growing part of the budget over the last few years, and there hasn't been the same vitriolic debate over foreign aid as there was in the 1990s. Now is the best time to convince the American people to fund this function.
4. **Consider restructuring the agencies responsible for foreign aid.** The Commission is not of one mind on this issue. In the private sector, if a function is important you elevate it. This is not so easy in the U.S. government. There are three options: to move all foreign-aid responsibilities to USAID, to put USAID in a separate cabinet-level agency, or to conduct a major reorganization that combines USAID and the State Department. It is not clear which will gain the most support from the Commission for the final report.
5. **Be proud of the development function.** If you asked Americans what PEPFAR, USAID, or the MCC is, the percentage that would even recognize the names would be in the single digits. The BBC does a great job of covering activity in Africa. The U.S. media do not. All those involved in foreign aid must do a better job of promoting coverage.

The HELP Commission needs the NGO community's support when the report is published. This is a great opportunity to educate and effect change.

Questions and Answers

John Sullivan, ACVFA Chair, asked when the report would be made public.

Margot Machol, Chief of Staff for the HELP Commission, said the Commission aimed to publish it before the end of 2007.

Aaron Williams, ACVFA Member, asked whether the Commission had investigated how other countries build public support for foreign assistance.

Mr. Lucas replied that the Canadians and British are currently reorganizing their foreign assistance programs, and many of their recommendations mirror the HELP Commission's: development must be taken more seriously and given more resources. Humanitarian aid is important, but only development assistance helps people become free and independent.

Mr. Lane said he'd been impressed by the universal positive reputation of the Peace Corps. The United States gets credit when the military delivers aid, but the same is true of the Peace Corps.

Mr. Lucas added that the report will contain major recommendations on the contracting and procurement processes. Procurement is out of control. Too much foreign assistance is left in the hands of a few procurement agencies that design, evaluate, and conduct whole programs. That's one recommendation that the NGO community will welcome with open arms.

Mr. Sullivan asked if the Commission would consider ACVFA's own recommendations on procurement from the Implementation Mechanisms working group.

Mr. Lucas and **Mr. Lane** took copies of that paper.

Sam Worthington, ACVFA Member, noted that all development occurs within some framework. For most of the world that framework is the list of Millennium Development Goals. He asked whether the Commission had discussed how U.S. bilateral assistance relates to that system.

Mr. Lucas said that by and large USAID works in a vacuum, and must improve its cooperation with other partners to reduce duplication of effort.

Judith Hermanson, ACVFA Member, asked how important it is to differentiate successful from unsuccessful programs.

Mr. Lane said that the HELP Commission report would not approach the detailed level of which programs work.

Mr. Lucas added that it is difficult to find any program evaluations in USAID. No one is working on the issue. USAID needs new evaluation machinery. It is impossible to sell development to Congress or the American people without describing how it works.

Ted Weihe, ACVFA Member, asked what the Commission thought of the "faddishness" of foreign aid. For example, he said, the World Bank should probably focus on infrastructure, yet it funds projects in many other areas.

Mr. Lane said that in a general way the Commission's report does talk about the need to specialize, but it does not make specific assessments.

Mr. Lucas added that on the whole the NGO community must become more professional. It should have objectives, and when programs don't meet those objectives then NGOs should move on.

VIEWS FROM THE FIELD: A DISCUSSION WITH USAID MISSION DIRECTORS

Aaron Williams, *ACVFA Member and Vice President of International Business Development, Research Triangle Institute*

The past few years have seen significant changes at USAID. ACVFA asked the three mission directors on this panel to discuss how these changes have affected their missions' programs in two areas: the new Foreign Assistance Framework's effect on their approach to strategic planning; and its effect on the way they implement programs, particularly the goal of transformational development.

They were also asked to consider the recommendations of the ACVFA working groups, and to offer their views on interactions with the MCC and other agencies.

Stephen Haykin, *USAID Mission Director, Democratic Republic of the Congo*

Madagascar had one of the last of the traditional country strategies. It sailed through the existing process easily—but for the wrong reasons. There was no resistance precisely because there was too much frustration at the disparity between funding levels and program needs, the number of agencies to negotiate, and the lack of an effective way to report success to Congress and the public.

The most significant aspect of the new Foreign Assistance Framework is that it attempts to get agencies to work together and advance toward more coherent development assistance. In itself the Framework's classification of program activities is value-neutral. Its classification system for countries reflects much of USAID's current thinking, and didn't force a great change of direction.

In Kenya, those adapting to the new Framework—the USAID mission and the embassy in the field, and the State Department desk and the USAID geographic office in Washington—were able to form constructive relationships quickly. The cooperation among the staffs of those four offices helped all of them through that period of uncertainty.

The new system took hold in stages. First these four geographic offices embraced it. Then certain functional offices in USAID and the State Department began to understand that if they wanted to participate in resource discussions, they had to play by the new rules. Late to participate were the defense attachés. It was important to include them because the goal of the F reforms is to discuss not just traditional aid budgets but also such things as military training and

counternarcotics programs. In total eighteen agencies were represented in Kenya, and in the end they were able to work together.

Though in theory the new Framework offered an opportunity to realign priorities, initially agencies were reluctant to challenge each other and disturb the status quo. Figures were shifting all through the process, creating uncertainty about programming. It didn't become clear until late that significant resources would be left out of these centralized discussions—PEPFAR funds in particular. Final decisions took place in Washington, leaving those in the field waiting to hear what would happen.

Ultimately, the Framework does address some of USAID's problems. Programs are more coherent now. They should be made even more coherent in the future by bringing PEPFAR, for example, into the planning process, or programs of the Department of Agriculture. Country-level strategic planning should also be improved by reestablishing consultation with local stakeholders. In the rush to create new systems and establish new lines of communication within the U.S. government, USAID and State were not able to consult with their local partners to the degree desired.

Debbie Kennedy-Iraheta, *USAID Mission Director, El Salvador*

The Foreign Assistance Framework was introduced just after the tsunami of December 2004. It was done so hurriedly, with many unclear signals and on top of several other reforms. As a result, those in field missions didn't necessarily understand what the process was intended to accomplish. Further, as with any reform process at times, expectations for how quickly things could be achieved were perhaps too high.

Many of the F process's most important successes have not been much touted because they are internal, things as mundane as a common budget terminology. The reforms have also given USAID an opportunity to take a leadership role in development, regaining the seat of close counsel to the ambassador that it had lost in some countries, for example, on rule of law issues in El Salvador.

Lael Brainard has suggested that the goals of foreign-assistance reform should be: 1) enhancing the United States' development mission, 2) rationalizing the number of players in the executive branch, and 3) strengthening stakeholder ownership. The F reform process advances these goals by:

1. **Enhancing the United States' development mission.** Many more of the important actors are involved in discussions of foreign aid than used to be the case. In the past these conversations were more limited in scope, and those in Washington were never involved in developing country-level strategies. Unfortunately, sometimes the current discussions in Washington are not as well informed as they should be. Typically only one

or two USAID representatives will participate alongside many State Department staff members and a few representatives of the military. USAID's lack of senior staff in Washington has limited its ability to contribute meaningfully. In many instances, the best case for development dollars is never made because no one is there to make it.

The advent of common objectives and indicators will be a great help. USAID's new list of indicators will allow those managing country and subregional programs to describe their work using common terms—though the list needs more indicators that describe effects rather than just processes.

2. **Rationalizing the number of players in the executive branch.** The F process is improving the coherence of U.S. policy. So far it has only affected USAID and some State Department resources; ultimately it will be important to include all State Department accounts and the MCC.

The El Salvador mission did not have much difficulty fitting its country strategy into the new Foreign Assistance Framework because in 2004, when USAID developed a common strategy for Central America, it used objectives that parallel the Framework's five program categories.

The F process does offer an opportunity to modify budgets to fit country needs as they change. For example, in 2006 USAID had only budgeted \$350,000 for democracy and governance in El Salvador, which was totally inadequate. The mission appealed to the F Bureau for modification and was allowed to move money from one category to another. It can be panic-inducing to see great swings projected for future budgets; the important thing for missions to remember is that if they can intervene at the right stage in the process, they can appeal and get budget levels modified to address emerging needs.

3. **Strengthening stakeholder ownership.** Two of USAID's key stakeholders are Congress and the American people. Ideally, the F process reforms will make it easier for USAID and the State Department to tell both of them a unified story about development. The F process itself needs to be reformed, however, to allow the greater involvement of stakeholders in the field, including host governments and other donors.

Jon Lindborg, *USAID Mission Director, Philippines*

The Philippines is an interesting test case. It is the twelfth-largest country in the world, a legacy development program since 1961, and a compendium of every development problem imaginable. It also has the fourth-largest U.S. embassy in the world, is a major non-NATO ally, and hosts a significant U.S. military presence. The view of the USAID mission and the embassy in the Philippines

was that they had to do the best they could with the F process, and ultimately it was not as bad as it appeared it would be. In fact, on balance, the experience was positive.

On that positive side of the ledger, the twenty-seven U.S. agencies doing work in the Philippines do far more integrated work now. They can speak to Congress clearly and coherently, with a unified vocabulary. And they have a single continuum to describe countries as they graduate from one type to the next.

There have been frustrations, however. First, the F process reforms have been conducted from the top down. USAID has not yet briefed its counterparts in the Filipino government because too much has been in flux and it felt involving the host government would be more confusing than helpful. It hopes to make the process more consultative next year. Second, the operational plan is a glorified database that doesn't consider overall, long-term strategic goals. The upper-level staff of the State Department and USAID appear to be listening to those aspects that are not working, however, and plan to make improvements.

There have been concerns about "strategic capture" of USAID's objectives by the State Department as a whole, a country ambassador, or the military. In the Philippines, however, USAID's position has actually been strengthened. USAID is at the table with all the other agencies, and they are coming to realize that the Agency plans, evaluates, and measures development efforts better than anyone else. The F process has also made it clear that development is indispensable to our national security strategy.

Questions and Answers

Ted Weihe, ACVFA Member, said that Administrator Peter MacPherson was proud of creating the Bureau for Policy and Program Coordination (PPC), brought back to life by Administrator Andrew Natsios. Now, though, the reforms have done away with the PPC office and moved its functions to the F Bureau. In theory, the PPC office was in charge of uniting strategy and budget, and the F process seems incompatible with long-term strategies. He asked about the effect of doing away with the PPC office.

Ms. Kennedy-Iraheta said that most missions are now working under strategic plans that predated the F process reforms. Many are growing anxious, however, because those strategic plans were pacts with Washington that allowed some funding predictability in the long term. USAID is reconstituting a policy unit within the Office of the Administrator, and working with the DFA to develop guidelines that look beyond year-to-year indicators. Many people involved in the process don't see what a strategy document would add to the annual Mission Strategic Plan process.

Mr. Lindborg added that the original intent of the F process was to include a fifteen-page statement of strategy with each country's operational plan. Unfortunately, the system was choking last fall. The database wasn't working, there were too many complications, and Washington decided not to require the strategy document. The USAID mission in the Philippines resisted that decision, because it was actually looking forward to developing its statement of strategy. The mission is halfway through its five-year strategy, developed through a careful, consultative process. The F process operational plan, by contrast, is a glorified database with some narrative attached. That's Management 101: if you don't know where you're going, you won't get there. Fortunately, USAID is restoring that capability. On the other hand, USAID has traditionally invested too much time in crafting overly complicated five-year strategies. It makes more sense to create a fifteen-page strategy document every year or every other year.

Mr. Haykin said that the mission in the Democratic Republic of the Congo is nearing the end of its existing strategy and will run some sort of planning process over the next year. Ideally that will be an interagency effort with support from those who make resource-allocation decisions. Even if it isn't, the mission needs a strategy for its own staff, as a management tool.

Sam Worthington, ACVFA Member, noted that all development is a form of partnership. He asked whether the reform process has increased or decreased missions' ability to partner with host governments and other agencies within the U.S. government.

Mr. Haykin replied that his mission had to take a step back from coordination with the host government last year due to some of the planning uncertainties. Such coordination is essential, however, and all missions pursue it to the extent possible. That question raises another: regardless of the system, how can USAID bring more private and foundation donors into the consultative process?

Mr. Lindborg said that the F process hasn't yet changed business in the Philippines, in part because he has tried to shield USAID's local partners from its changes. It is important, however, to build on these new partnerships. Henrietta Holsman Fore is committed to continuing the legacy of the Global Development Alliance, started by Andrew Natsios to help USAID work with the private sector, foundations, and nontraditional partners. The public-private partnership model is now embedded in USAID as a business practice. One challenge of the new system is to find a way to document and report on those partnerships.

Ms. Kennedy-Iraheta said that Henrietta Holsman Fore asked a group of mission directors to consider what incentives or mechanisms it would take to significantly increase the number of public-private partnerships. That group strongly recommended that USAID give mission directors the budget flexibility they used to have but have lost in this first year of the F process. The DFA does plan to return some of that flexibility. As to the MCC, the preparation for a new

threshold or compact agreement can be time-consuming. Some Washington actors seem to believe that the MCC will always be more efficient and will turn around a given country miraculously. For example, although USAID has never had any problems with corruption in El Salvador, discussions of how MCC resources will be managed have sometimes left the impression that it has. On the other hand, the MCC has transformed the way Salvadorans respond to indicators, and on the ground the USAID mission office is working hand in hand with the MCC. In many cases the MCC focuses on infrastructure. It still needs complementary support. A lot of Washington offices need to understand that.

Spencer King, ACVFA Member, asked whether the consensus of mission directors was that the MCC merely coexisted with USAID programs, or whether it was beginning to cooperate.

Mr. Lindborg said that the Philippines has a threshold program that took a long time to get started. Now that it is approved, though, USAID operates it like any other development assistance program, and the MCC pays the mission a 7 percent fee to manage it. It is a two-year program focused on revenue administration and anticorruption measures, a huge challenge in the Philippines. USAID, meanwhile, concentrates on longer-term efforts such as port administration and judicial reform. USAID and the MCC have a complementary relationship. Ambassador John Danilovich, CEO of the MCC, told mission directors assembled for their conference that he still sees USAID as the leading development agency for the U.S. government. If the F process reforms are really intended to create a Director of U.S. Foreign Assistance, that director should control all U.S. foreign assistance; currently the State Department and USAID manage only between 40 and 50 percent. In responding to the recommendations of the HELP Commission the next administration may take on that challenge, which would require legislative changes.

Stephen Moseley, ACVFA Member, asked whether the F process reforms were good for USAID. He noted what seemed to be a high-level decision to relabel some development assistance as security assistance, which could have significant implications. The F process also seems to be moving USAID's focus from long-term strategies to medium- or even short-term goals, and from investments in institution-building and training to investments in physical infrastructure. These used to be the three hallmarks of USAID—long-term strategic thinking, insulating development assistance from political pressures, and investing in countries own capabilities—but the reforms seem to be shifting away from them.

Mr. Haykin replied that the jury is still out. As to the first point, mission directors would all like the Secretary of State to declare USAID the primary voice of development in their countries. But as the deputy to Henrietta Holsman Fore put it today, that's not something that will be granted, it's something mission directors will have to earn. Mission directors must make it clear that assistance should

address long-term issues, not just give out “goodies.” There will always be a tendency, particularly among those less experienced in development work, to look for easy ways out.

Ms. Kennedy-Iraheta said that the deputy chief of mission at the U.S. embassy in El Salvador had never worked with a USAID mission before. The F process gives those in USAID an opportunity to talk to people who haven’t thought much about what it takes to accomplish long-term development goals and reform institutions. The next step will be to begin to discuss how the U.S. government can get the most for its money in the long term. On the question of moving Development Assistance money to Economic Support Funds, the goal there was to increase flexibility for those in the field, because Economic Support money can be used for anything. In the long run USAID should find ways to retain that flexibility while still respecting Congress’s direction about Agency priorities.

Tony Gambino said that Washington, and Congress in particular, loves short-term results, and that the F process tried to respond to that by developing a long list of indicators and then insisting on shorter and shorter time frames for measurements. In his new book *The Bottom Billion*, Paul Collier argues persuasively that this is a very bad approach, particularly for the poorest and most poorly governed states. It creates incentives to abandon long-term, institutional development, which does not produce results within six or eighteen months and which is difficult to measure. He asked whether there was a tension between Collier’s recommendations and what Washington would like to see.

Mr. Haykin said that the Foreign Assistance Framework does stress different strategies for different kinds of countries. In a “rebuilding” country such as the Congo, for example, the USAID mission has to help a newly elected government consolidate democracy by proving that it can deliver services in the short run, while at the same time the country’s systems are so weak that short-term efforts to deliver services can only carry so far. There is a tension among goals in that sense. But, he said, he hasn’t seen a push toward short-term thinking from the F process.

Ms. Kennedy-Iraheta agreed that USAID must support the emergence of capable partners to ensure sustainability. But, as Rep. Nita Lowey (D-N.Y.) and Sen. Chuck Hagel (R-Neb.) told the mission directors’ conference, USAID must also be able to explain to the public what it is doing. It is difficult to balance those demands. As a practical matter, the El Salvador mission is using the new, common, “dollar in, product out” indicators, but is not abandoning longer-term impact measures. Unfortunately, before the F process reforms began USAID had decreased its investment in evaluation. One of the Acting Administrator’s priorities will be to increase the funds available for information-sharing and evaluation. Perhaps with the right indicators USAID can convince the public that supporting the emergence of capable partners is as important as delivering services in the short term.

Mr. Lindborg noted that Afghanistan, Iraq, and Sudan were given a pass on the operational-plan process, because things were changing so much in those countries that USAID would have gone into gridlock if it worried about indicators. Meanwhile, in some of the more traditional programs those in foreign assistance have tied themselves in knots: USAID has 3,000 indicators in use and the State Department has 6,000. The common indicators are USAID's best friend, particularly for those that must convince the Chair of the House Appropriations Subcommittee for Foreign Operations that a particular investment is valuable. Indicators need to be simpler, easier, and in the end understandable to the taxpayer and the people who appropriate funds.

Carlos Perez-Santa of World Vision said that in his five years of work in Africa, he has seen USAID missions bringing stakeholders together to create holistic strategies. He has also seen the European Union conducting the same sorts of exercises, along with the British Department for International Development and others. He asked how the F process would improve collaboration among donors, making these country environments less messy for NGOs who have to report to so many agencies, each with its own list of indicators.

Ms. Kennedy-Iraheta responded that the answer was not yet clear. So far the El Salvador mission has not tried to explain the F process reforms to its partners in the field. The new database does require missions to include information on other donors, and perhaps the use of a common language will improve USAID's ability to communicate with them.

Mr. Haykin agreed that the F process had not yet addressed the problem.

Noam Unger, senior manager of the Brookings Institution's Foreign Aid Reform Project, said that a colleague from USAID told a story of being on a Provincial Reconstruction Team in Afghanistan. Initially it was distinct from a Forward Operating Base also run by the Department of Defense in the same area. That didn't make management sense to the Pentagon, so the two were combined. Thereafter, resources that had been used for development outreach were primarily used for counterterrorism efforts. He noted that the Department of State/USAID Joint Management Council is moving to combine the resources of USAID and the State Department in the field. He asked whether the message from Washington about the value of development was strong enough to counter deputy chiefs of missions' (DCMs) natural inclination to use joint resources for what they may see as their primary purpose—especially in countries where the DCM hasn't worked with a USAID mission before.

Mr. Lindborg said that there was a large military presence in the Philippines, and the USAID mission had worked with the military extensively. For example, on certain medical missions USAID's health staff will cooperate with medical personnel from the Armed Forces of the Philippines, U.S. Special Operations

forces, the local department of health, and local doctors and clinics. USAID will receive a transfer of funds from the Department of Defense this year to conduct economic development programs in Mindanao. These programs will achieve a development purpose in this case, but they will also have a security benefit—the idea being that economic opportunity reduces the space for bad actors. The Armed Forces of the Philippines describes its effort in Mindanao as 80 percent soft power, 20 percent hard power. It is an example of how good development efforts can be undertaken in conflict situations without being subverted by military operations.

Ms. Kennedy-Iraheta said that the USAID mission in El Salvador now buys most of its administrative services from the State Department, because after it analyzed its costs it determined it could save money that way. The Joint Management Council has asked mission directors to work with the State Department and other agencies on the International Cooperative Administrative Support Services Council to determine where they can obtain high-quality services more cheaply.

Mr. Williams thanked the mission directors for a rich, productive discussion. He noted that William Lane described how, as the HELP Commission traveled the world, it was consistently impressed by the caliber of USAID's staff. These three are examples of the outstanding talent, leadership, and capability of international development officers.

John Sullivan, ACVFA Chair, announced that Henrietta Holsman Fore's nomination had just been reported out of committee in the Senate by a vote of 13 to 5.

Public Meeting Presentations



Recommendations for Improved Humanitarian Assistance

USAID – ACVFA

Humanitarian Assistance Working Group

October 24, 2007

Introduction



Four important recommendations to ensure effective Humanitarian Assistance:

1. **Maintain a central emergency fund** with “notwithstanding capabilities”, dedicated to humanitarian assistance;
2. **Fund humanitarian assistance programs through core budgets** and shift away from a reliance on supplementals;
3. **Create a clear strategy and appropriate funding mechanisms for transitional programming** that provide an effective transition from relief to development;
4. **Ensure a robust capacity within USAID to respond fully to humanitarian crises without over-reliance on military capacity**



Maintain a central emergency response fund

Decreasing quantity emergency funds

Core Development Assistance by Account, FY 2006-FY 2008 (in millions of Dollars)				
Selected Core Development accounts	FY 2006	FY 2007 Estimate	FY 2008 Request	% Change FY07-FY08
<i>Transition Initiatives (OTI)</i>	39.6	39.6	37.2	-6.10%
<i>Disaster/Famine (IDFA)</i>	579	361.4	297.3	-17.70%
<i>Food Aid (PL480)</i>	1,588.00	1,313.00	1,319.00	0.40%
<i>Migration/Refugee</i>	88.5	887.9	828.5	-6.70%
Total	3,095.10	2,601.90	2,482	-4.6%

Adapted from CRS Report for Congress: State, Foreign Operations and Related Programs. Connie Veillette, Susan Epstein (6/11/07)



Fund Humanitarian Assistance through core accounts and reduce reliance upon supplemental funding

- Increased reliance on supplementals in recent years
- Creates unpredictable and unreliable funding

<u>Selected 150 Account Funding through supplementals (totals in thousands of USD)</u>			
	FY 2005	FY 2006	FY 2007
<i>Total</i>	1,488,896	1,230,470	1,234,006
<i>Total Selected Supplemental Funding (IDFA, ERMA, MRA)</i>	228,356	56,330	206,500
<i>Total without Supplemental Funding</i>	1,260,540	1,174,140	1,027,506



Create a clear strategy for transitional programming

- Persistent gap between relief and development
- OTI – a partial answer



Ensure a robust capacity within USAID to respond fully to humanitarian crises without over-reliance on military capacity

- Maintain central role of USAID and other civilian agencies in USG emergency response:
 - Ability to coordinate with multiple stakeholders
 - More cost effective
 - Potential to link relief with longer term development



USAID
FROM THE AMERICAN PEOPLE

Investing in People Working Group

Chair: Steve Moseley

Members: Bill Reese, Elise Smith,
George Ward, Ted Weihe,
Sam Worthington



USAID
FROM THE AMERICAN PEOPLE

Investing in People

- Investing in People is the **crucial foundation for advances in all other sectors of development.**
- Without improvements in **health and education**, lasting gains in democracy, economic growth and poverty reduction become impossible.
- Investing in People has been a **hallmark** of U.S. foreign assistance success



USAID
FROM THE AMERICAN PEOPLE

Investing in People: Organization and Program Implementation

- **Revitalize the USAID workforce**
 - U.S. direct hire personnel
 - Alternative personnel arrangements with NGOs, universities and businesses
- **Demonstrate clear leadership in IIP**
 - Promote vision for long-term commitment
 - Align priorities for foreign assistance with MDGs and EFA
 - Input from the host-country and the development community



USAID
FROM THE AMERICAN PEOPLE

Investing in People: Organization and Program Implementation

- **Foster and support linkages within the framework**
 - Incentives and high-level support for integrated, cross-sectoral programming
 - Synergies between education, workforce development, peace and stability and prevention programs
 - Populations, such as youth and women, require holistic responses



USAID
FROM THE AMERICAN PEOPLE

Investing in People: Organization and Program Implementation

- **Increase access to sustained resources**
 - Ten- to fifteen-year implementation horizons
 - Development of solid partnerships with local NGOs and national governments
 - Emphasis on institutional strengthening and capacity building



USAID
FROM THE AMERICAN PEOPLE

Investing in People: Organization and Program Implementation

- **Strive for continuous improvement in programming**
 - Quality indicators in education and health
 - Rigorous monitoring and evaluation of short-, medium- and long-term progress
 - New knowledge management technologies to collect and share information and good practices



USAID
FROM THE AMERICAN PEOPLE

Investing in People: Program Quality and Depth

- **Pursue public-private partnerships**
 - Additional innovation, technology know-how and efficiency
 - Mutually beneficial partnerships
- **Host-country input**
 - Inclusive, transparent priority-setting
 - Flexible funding mechanism to adapt to changing needs on the ground
 - Collaboration with host-country leadership



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Investing in People: Program Quality and Depth

- **Continue to meet Education for All commitment**
 - Quality basic education for all by 2015
 - Universal primary and secondary, early childhood development, adult literacy and special needs
- **Add priority for youth development**
 - Current youth cohort is the world's largest ever
 - Sustained, multi-sectoral investments are needed if young people are to become healthy, engaged, productive adults
- **Continue to meet commitments to health initiatives**
 - HIV/AIDS prevention and treatment, malaria prevention, and Avian Influenza initiatives while also insuring that
 - New investments in underlying child nutrition, survival and maternal and reproductive health to restore funding to sufficient levels.



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FROM THE AMERICAN PEOPLE

Investing in People: Program Quality and Depth

- **Fully integrate gender into IIP**
 - Enhance office to provide leadership on investments in girls and women
 - Development of indicators appropriate for gender analysis of programs
- **Address under-funded areas of need**
 - New programs and new resources
 - Secondary and tertiary education, youth employability, malnutrition, water and sanitation, climate change and maternal child health