

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

Public Meeting October 27, 2004

Table of Contents

Welcome and Introduction: *William S. Reese*, ACVFA Chair.....1

Keynote Address on Darfur and Sudan.....1
Roger Winter, Assistant Administrator, Bureau for Democracy, Conflict and Humanitarian Assistance, USAID

Questions and Answers5

Presentation on USAID's New Agricultural Strategy.....6
Emmy Simmons, Assistant Administrator, Bureau for Economic Growth, Agriculture and Trade, USAID

Questions and Answers10

PVO/NGO Panel: Fresh From the Field Perspective.....10
Moderator: *Ben Homan*, President, Food for the Hungry

Panelists:
Bill Garvelink, Deputy Assistant Administrator, Democracy, Conflict and Humanitarian Assistance Bureau, USAID

Jeff Drumtra, Senior Advisor on Internal Displacement and Protection, Bureau for Democracy, Conflict and Humanitarian Assistance, USAID

Lauren Landis, Director, Office of Food for Peace, Democracy, Conflict and Humanitarian Assistance Bureau, USAID

Nancy Aossey, President, The International Medical Corps

Christopher Daniel, Senior Regional Representative for Africa, Catholic Relief Services

Questions and Answers17

Update on the Global Development Alliance
Holly Wise, Director, Global Development Secretariat, USAID

Questions and Answers22

Update on the Millennium Challenge Account.....23
Introduction: *Barbara Turner*, Deputy Assistant Administrator for the Bureau for Policy and Program Coordination, USAID

Charles Sethness, Vice President for Monitoring and Evaluation, Millennium Challenge Corporation

Clay Lowery, Vice President for Market and Sectoral Assessment, Millennium Challenge Corporation

Questions and Answers.....26

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OPENING REMARKS: William S. Reese, ACVFA Chair

William S. Reese, ACVFA Chair, welcomed the ACVFA members, the US Agency for International Development (USAID) staff, and the meeting participants. Mr. Reese remarked that this is the third ACVFA Public Meeting of 2004. The agenda includes discussions of crisis management and reconstruction, the Global Development Alliance, and the Millennium Challenge Corporation. These issues have been on the agenda over the last four years since Andrew Natsios was sworn in as Administrator of USAID. The ACVFA engages USAID in a discussion of issues that are relevant and timely to the Agency.

Mr. Reese remarked that foreign policy and foreign affairs have been on the agenda recently in a way that they haven't been in a generation. The issues of building democracy, investing in education and health, growing economies, and promoting long-term sustainable development have not been the focus of the current debate, but they are there in the background. Mr. Reese expressed his hope that these issues will remain part of the larger discussion in the coming years.

KEYNOTE ADDRESS

Roger Winter, *Assistant Administrator,
Bureau for Democracy, Conflict, and Humanitarian Assistance, USAID*

Mr. Winter remarked that the Department of State (DOS) has recognized the importance of fragile states and has recently restructured around this issue. Within USAID there will be a reorganization that relates to a counterpart capacity, a scaling-up of operational humanitarian stabilization and reconstruction capacity in the field. He said that the idea of fragile states implies the need to do things differently.

Mr. Winter outlined some of the important considerations for USAID about fragile states:

1. Protection of civilians. There has been a lot of effort invested in the development of doctrines and strategies on how USAID can better protect civilians in unstable environments. This led to the creation of the Humanitarian Protection Unit within the Office of Transition Initiatives (OTI). This unit was active in Iraq, and is now working in Darfur and the border areas of Chad. Mr. Winter welcomed thoughts about civilian protection from the private and non-profit communities.
2. Conflict and failed governance. The Bureau for Democracy, Conflict and Humanitarian Assistance was created out of a melding of governance and conflict management capacity with the humanitarian programs. The intent was to have a

solution-oriented approach to humanitarian assistance. It will be USAID's point in dealing with many fragile state issues.

3. Internally displaced people (IDPs). Fragile states often have high rates of IDPs. Worldwide the number of refugees has been going down, but the number of IDPs has been increasing. Recently, USAID unveiled a policy on its responsibilities for dealing with IDPs. Mr. Winter said that to the best of his knowledge, the US is the only government in the world that has a written policy about its obligations towards IDPs.

Turning to the issue of Sudan, Mr. Winter provided an overview of the history of the current situation. He said that the situation in Darfur is the most difficult humanitarian situation in the world today.

Sudan became independent on January 1, 1956, the first African colony to gain independence. For thirty-seven of the years since that time Sudan has been involved in civil war. The civil war has generally, but not always, been between the North and the South. Sudan is on the line that generally separates the North African, Middle-East culture from the Sub-Saharan African cultures. The years of conflict have had dramatic results, creating some of the most destroyed places on the Earth. These areas include the South, the Nuba Mountains, Southern Blue Nile on the Ethiopian border, and Abyei. Even though some of these areas are in the North, they are culturally linked to the populations in the South, and therefore have sustained tremendous loss and damage. Until recently there has been hardly an intact building in these areas. He said that there are no paved roads anywhere in the South, except in Juba.

Mr. Winter remarked that in 1988 and 1989 the Sudan People's Liberation Movement (SPLM), the representative of the South, and the then Government of Sudan (GOS) were moving towards a peace agreement. The elected government wanted peace. That movement towards peace allowed the creation of a rather magnificent innovation called Operation Lifeline Sudan (OLS). Even though the peace had not been finalized, the government, the SPLM, and the United Nations (UN) agreed that all civilians in Sudan who needed humanitarian assistance should receive it. The OLS catered to the humanitarian needs in the South. Humanitarian issues loomed large enough politically that even without a formal peace deal the two parties decided to act more responsibly towards civilians. Mr. Winter said that it was a unique construct. The basic peace agreement, which would have resolved the issues of the relationship between religion and state, was scheduled to go into effect in early July. On June 30, 1989 there was a coup, the purpose of which was to abort the peace process. The coup was successful and the current government of Sudan came to power.

Mr. Winter related a story from that time period. Sudan, the largest country in Africa, borders on nine other states. There was a large number of refugees from Eritrea and Ethiopia that were in the Northeast of Sudan. In addition, there were 300,000 to 400,000 refugees from Southern Sudan in refugee camps in Western Ethiopia. The UN High Commissioner for Refugees visited with the President of Sudan in 1990. The President indicated that the GOS was very concerned that the international community was not

providing adequate resources for the hundreds of thousands of Ethiopian and Eritrean refugees in Sudan. The High Commissioner agreed that the world needed to do more for that population, but he also reminded the President that there were hundreds of thousands of his people in Ethiopia in need of assistance. The President replied, "They are not my people." Mr. Winter noted that one might conclude that all of the marginalized people of Sudan are "not his people." The GOS does not take responsibility for the bulk of the people in Sudan right now.

Mr. Winter commented that in the twelve years after the coup, the GOS established a number of clear patterns as it aborted the peace and resumed the war:

- Dividing populations in order to rule
- Mobilizing ethnically based militias
- Racism approach towards ethnicity
- Manipulation or denial of humanitarian assistance through OLS
- Targeting of civilians and civilian institutions
- Uprooting, dispersing, and destroying "enemy" civilians
- Making, but not keeping, commitments to the international community

Mr. Winter said that everything that is now happening in Darfur has happened before in other parts of the country. He also pointed out that the GOS has proved itself to be a threat to regional stability. Almost all of the governments of the region at one time or another have had difficulties with Sudan. He said that the Lord's Resistance Army (LRA) was supplied by the GOS in order to punish the Government of Uganda for being sympathetic to the SPLM. The GOS was also involved in the assassination attempt on President Mubarek of Egypt, and became a nurturing place for Osama bin Laden for a period of five or six years.

Mr. Winter remarked that the "southern" war in Sudan produced 2.5 million civilian deaths, 4.5 million IDPs, half a million refugees outside the country, and several million exiles that did not have refugee status. There was a massive depletion of the civilian population in the war-affected areas.

Beginning in 1994, there was a resurgence of the southern military initiative. They had been driven to the border of Uganda, but then started to move back. At that time the Clinton Administration and the US Congress were very much involved. What was particularly important to Mr. Winter was that over this extended period of time there developed a bipartisan, well-informed constituency in the US that was able to exert pressure on the US government to get involved. Also, Sudan was added to the state sponsors of terrorism list and was subject to sanctions.

When the GOS wanted to manipulate humanitarian access, it leaned on the UN because the UN needs to be responsive to member states. The GOS was able to deny the OLS access to particular locations and manipulate the availability of assistance. In 1996, the US Congress promoted the provision of humanitarian assistance through non-OLS agencies to help make-up for this manipulation and to encourage the delivery of assistance in other areas of Sudan that were outside the control of the government.

In 2001, Mr. Natsios asked Mr. Winter to brief him on the Sudan situation. It was very clear to him that the Administration had already discussed bringing peace to Sudan. The GOS was being hurt by sanctions, and it was only the US that could help mobilize the international community to engage in a peace process with teeth.

Mr. Winter remarked that the US had three objectives in the Sudan peace initiative:

1. Ensure cooperation on counter-terrorism issues
2. End the war
3. Provide humanitarian assistance to all needy populations

It was determined that the US would hold out the potential of normalization of relations if these objectives could be achieved. USAID decided to use humanitarian assistance as an entry point into the political process. In late May 2001, the US announced the de-politicalization of humanitarian assistance in Sudan. Up to that point, humanitarian assistance was only available in the South and for displaced Southerners in the North. There was no assistance for Northerners affected by drought or other issues.

In July 2001, USAID made its first visit to Khartoum in this environment. They proposed that the GOS and the SPLM agree to a military stand-down for 24 hours, so that USAID could send a plane with food from the government-controlled part of Sudan to the rebel-controlled portions of the Nuba Mountains. It was a successful flight and USAID immediately proceeded to arrange further flights.

In addition, the Administrator directed the implementation of a program to prepare the South for peace. It involved the establishment of agricultural development and educational initiatives throughout the war-affected areas. While USAID was preparing for food deliveries, Senator Danforth was appointed as the President's Special Envoy to Sudan. This was a few days before September 11, 2001.

Mr. Winter related a story about September 11th. After the attacks on the World Trade Center and the Pentagon, all the office buildings in Washington, DC were evacuated, leading to massive traffic tie-ups. Mr. Winter had a negotiation meeting scheduled with the Embassy of Sudan at 11:00 a.m. He conducted the negotiations by telephone and FAX throughout the day. Ultimately these discussions became part of the "Danforth Initiative." The peace process led by Senator Danforth was a partnership between USAID and the Department of State. It included humanitarian and political tests that resulted in a peace process led by IGAD and Kenya with strong support from the United States, the United Kingdom, Norway, and later Italy and the Netherlands. Working together they arrived at the Machakos Agreement. Mr. Winter remarked that the peace process is not fully in place yet, but the Department of State estimates that it will be done by the end of this year.

In the midst of this peace process, a new war began in Western Sudan. Mr. Winter suggested that the situation today did not need to develop. In his view the rebel groups, the Sudan Liberation Army and the Justice and Equality Movement, were not talking

about secession - they wanted resources and development. When the GOS did not succeed against the rebels militarily, it mobilized a group called the Jingaweit.

Mr. Winter said that the Jingaweit have parallels in the war with the South. The Jingaweit engaged in a process of ethnic cleansing, a process that was visible from the air and had permanent displacement as its goal. USAID responded with a large humanitarian program, involving more than \$300 million. The GOS ended up in a quagmire that is now undermining the peace process in Navaisha.

Mr. Winter believes that the GOS made a conscious decision to attack the civilian population from which the armed rebel groups sprang. "The Jingaweit is an instrument of the GOS," he said. They may have thought that the US and the world would not care because this was not the population of the South; this was a Muslim population. However, they were wrong. A strong constituency of the US Congress, non-governmental organizations (NGOs), and individuals advocated for a high level of US involvement in Darfur.

Mr. Winter closed by relating a story told by former US Senator Sam Nunn about the war in the Balkans. The story illustrated the responsibility of governments towards their populations. It involved a reporter who transported a man and a wounded girl to the hospital. The reporter had assumed that the girl, who died in the arms of the man, was his daughter, but she was not. When asked, the man replied, "Aren't they all our children?" Mr. Winter said that this is the lesson that the GOS has not learned. The people who are dying in Darfur are the children for whom that government is responsible.

QUESTIONS AND ANSWERS

Mary McClymont, ACVFA Member, asked how the international community could ensure that international forces would be increased in numbers and given a broad mandate for protection of civilians.

Mr. Winter replied that the enhanced group of African Union (AU) forces should be on the ground by the end of November. There is no guarantee, however, that this will actually happen. There will be a meeting of the United Nations Security Council in November that will put pressure on all parties to collaborate in a broader program of protection and security. They are also hoping to stimulate progress on the Navaisha peace process, which may contain the seeds of an ultimate solution for the country as a whole.

Mr. Winter remarked that the hope is that the peace process in Navaisha can go along side by side with the dialogue about security in Darfur. He said that the US is key to the process, but there is not yet buy-in from everybody. Some countries, including those who have major oil investments in Sudan, are concerned about interfering in the internal affairs of a sovereign state.

Ted Weihe, ACVFA Member, asked about the "peace dividend" for Southern Sudan, given the level of resources currently needed in Darfur.

Mr. Winter replied that USAID wants to keep the Southern program on track, with the resources allocated for that purpose. He said that the process is complicated in that Darfur has dramatically overshadowed attention to the South. The fact that there are three times as many IDPs in the South as in Darfur has been lost.

The peace process has largely been on hold. There are few resources going into the South, other than from the humanitarian community. Mr. Winter said that there is a possibility of the "Somali-ization" of Sudan if there is not a peace agreement soon. He reiterated that it is the intention of USAID to proceed with the program as budgeted for 2005.

THE NEW USAID AGRICULTURAL STRATEGY

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

Ms. Simmons opened her remarks by noting that it was not a big jump from the discussion of conflict and fragile states to agriculture. As Mr. Winter stated, the impetus for the emergence of the rebel movements in Western Sudan was access to resources and development in the rural areas. Ms. Simmons remarked that the same story is being played out across Africa. Many African countries have large populations that rely on the agricultural sector for jobs, income, and food. The productivity of that sector is much too low to meet their expectations. USAID's new strategy is aimed at increasing productivity to a level that people can thrive, not just survive.

In the FY2000 Title XII legislation the definition of agriculture was significantly broadened. The new definition includes the science and practice of activities related to the production, processing, marketing, distribution, utilization, and trade of food, feed and fiber. It goes beyond food and beyond production. That key concept underpins the new strategy.

Ms. Simmons said that for many years, the development community has talked about the subsistence farmer as the woman farmer producing staple crops for survival. With this new strategy, USAID maintains that marginally improving the lives of subsistence farmers is not enough. Agriculture should be a key part of a vibrant, modern economy. The new strategy is aimed at making that transition - increasing the engagement of farmers in local and regional markets, and responding to the needs of growing urban populations.

By 2012, more than half of the population in the developing world will be living in cities. In Latin America, already more than 70% of the population lives in urban areas. These urban dwellers provide a demand for food, as well as income opportunities for efficient agricultural producers. Ms. Simmons remarked that one of the most significant recent

revolutions in the food sector has been the growth of supermarkets. Four large multinational supermarket companies are beginning to build market shares in developing countries. Already, more than half of the food in many countries in Latin America is marketed through supermarkets.

According to Ms. Simmons, the new agricultural strategy has four themes:

1. Expanding global, regional, and local trade opportunities
2. Improving the sustainability of agriculture
3. Mobilizing science and technology, and fostering the capacity for innovation
4. Broadening agricultural training, outreach, and adaptive research

Due to the diversity of agricultural systems and market opportunities, specific adaptations will be made for each country. Ms. Simmons said that the reason for focusing on markets as the energy behind the strategy is that there are so many new market opportunities for developing countries today. The establishment of the World Trade Organization (WTO), as well as the increasing engagement of developing countries in the WTO, has opened up new trade opportunities. The current agricultural negotiations provide a vision of new market access. This is being played out in regional trade groups that are emerging in Africa and Southeast Asia.

There are also new bilateral trade agreements that are strengthening the opportunities for agricultural trade between the US and Latin America, Morocco, and Southern Africa. These are complemented by the Africa Growth and Opportunities Act (AGOA), within which agriculture has become a focal point. The US Department of Agriculture has placed people in Africa to do pest risk assessments and to help improve the quality of agricultural exports, thereby enlarging the possibilities of exports to the US as part of the AGOA agreement. The European Union (EU) has offered new agreements to the least developed countries, opening up new possibilities of increased trade with Europe. Ms. Simmons said that there are many opportunities for local, regional, urban, and international markets.

Ms. Simmons discussed four areas of focus within the “expanding markets” theme:

1. *Sound policy.* Many governments have not developed an appropriate role for the state in the food and feed markets. They intervene in markets, distorting them, and making it difficult for the private sector to play a role in managing and investing in markets.
2. *Rural finance.* USAID has done a bit of work in microfinance, but this is only a partial solution to agricultural finance. USAID is looking at new models, methods, and partners in rural finance.
3. *Producer Organizations.* Small farmers need to be organized in order to participate effectively in markets. Organization reduces transaction costs, increases access to information, and helps farmers meet quality standards.
4. *Access to production, storage, and processing technologies.* Access to new technologies is critical.

Ms. Simmons remarked that within USAID the agriculture and environmental accounts have historically been separate, and sometimes competitive. USAID has been working to

bring the natural resources management and the agricultural communities together. The solution must be a joint solution.

The strengthening of local capacity to understand natural resource management and to benefit from it is fundamental to the new strategy. Natural resources will not be protected unless the local people realize some benefit from their role in protection and have an alternative source of income. Economic frameworks are also critical. Unless an economic value is put on water, forests, and wildlife, people will not have the motivation to protect these resources.

Ms. Simmons said that USAID is concerned about the health of natural resources, particularly in sub-Saharan Africa where the degradation of the rain-fed land is notorious. Policy is a key issue as nations take on the responsibility of implementing global environmental treaties and agreements. Getting the policy right and aligning it with agricultural goals is essential. Biosafety has emerged as an important issue, but one that many countries are not yet sure how to deal with. USAID can provide assessment tools to help countries develop sustainable agricultural strategies that enhance natural resource management.

USAID is also focusing on endangered organisms. The Global Crop Diversity Trust (GCDT) was established as an international public organization with the recent signature of the Government of Sweden. This commitment to saving seeds is necessary so that crop breeders in the future will be able to breed the disease resistance, pest resistance, and increased productivity that will be needed to feed the world's population. The GCDT is envisioned as an endowment that would generate money on a continual basis to support key seed banks around the world.

Globalizing science and technology, the third strategic theme, addresses the capacity to improve the productivity of plants and animals in order to provide the level of food and feed that will be needed for the next fifty years. Ms. Simmons said that the use of biotechnology to increase productivity and increase resistance to pests and disease is an essential tool in the agricultural toolkit.

Research and development (R&D) translates science into technology, and is key to increasing productivity. Ms. Simmons emphasized that increasing productivity is absolutely critical to reducing poverty and hunger. This includes not just yield per hectare, but also crop per drop, output per unit of labor, and value per unit of labor. Adapting technologies at the local level, bringing top-level science into the agricultural arena, is critical.

Ms. Simmons noted that funding for agriculture research has decreased and is constantly under pressure. However, it should be part of a sound investment policy. She said that the average company invests 3-7% of its revenues in R&D in order to keep it at the cutting edge of productivity. In developing countries, the amount of resources committed to the R&D agenda is very small, and in many countries shrinking. Studies show that

consistently maintained R&D budgets produce a return on investment that is enormous, often exceeding 35%.

Ms. Simmons mentioned that she recently attended the World Food Prize celebration in Iowa. Two rice breeders shared the 2004 award. Professor Yuan Longping of China invented a type of hybrid rice that has, according to his estimates, provided enough rice to feed 60 million people every year. Dr. Monty Jones from Sierra Leone, the second recipient, invented a new variety of rice that produces between 25-50% more per hectare when grown under normal conditions in Africa. These experiences demonstrate high returns on R&D.

Ms. Simmons remarked that it is also important to pay attention to human capacity and the capacity for innovation. She pointed out that in 1991 USAID provided funding for advanced degrees for 9,000 foreigners to study in the US. In 2002, the number was 1,200 - a significant drop. The European support for advanced degrees has followed a similar path. The new generation capable of leading science and technology efforts in many developing countries is simply not there.

USAID is increasingly exploring public-private partnerships and networks. Private companies conduct more than half of the agricultural research in the US. They possess the intellectual property rights to a huge number of technologies and scientific breakthroughs that could be incredibly valuable to the developing world. However, unless there are intellectual property rights agreements those breakthroughs will not be available to the developing world. USAID is also supporting the African Agricultural Technology Fund in partnership with the Rockefeller Foundation and a number of European donors. Ms. Simmons emphasized that national innovation capacity, resources for R&D, and incentives for scientists are critical to a vibrant agricultural sector.

Finally, information and communication technologies are part of what is new about this strategic agenda for agriculture. There are ways of using distance education and mass media to share information in new ways. For instance, cell phones have proved to be important for accessing current market information in some countries.

Ms. Simmons described some of the important crosscutting themes:

- *Food security and nutrition.* This is important, particularly in light of the capacity of biotechnology to introduce micronutrients into staple crops.
- *Health and HIV/AIDS.* Infected populations are facing an increased need for more nutritious food, while labor and productivity are negatively affected.
- *Assets and risk management,* particularly with poor farmers.
- *Gender equality* is always important.
- *Good economics and political governance* are critical to establishing the overall framework for agricultural investments.
- *Expanded alliances* with NGOs, businesses, and other sectors.

In closing, Ms. Simmons provided some statistics about the importance of horticultural production. The supermarket revolution has brought increased attention for horticultural

products. In Central America, consumption of horticultural products is seven times the amount that is exported. In Kenya, well renowned as a horticulture exporter, only 30% of horticultural products are exported while 70% are consumed locally.

QUESTIONS AND ANSWERS

Elise Smith, ACVFA Member, inquired about resource allocation under the new strategy.

Ms. Simmons replied that the agricultural strategy will be implemented with resources from agriculture, environmental, and economic growth programs. There are tremendous synergies between programs like the commercial law program and agriculture, but how to report on that in a meaningful way is still to be determined.

Frances Johnson from the International Property Rights Working Group asked to what extent USAID is involved in establishing legal frameworks for titled property rights for farmers.

Ms. Simmons responded that USAID has a core grant with the Institute for Liberty and Democracy (ILD). Hernando de Soto is working in Africa, as well as following up on a number of programs in Latin America. Ms. Simmons remarked that the issue of property rights is difficult. Nevertheless, USAID is working in Ethiopia on rural property rights. Norway is beginning to provide some support in Tanzania on rural property rights. She said that there are a number of other efforts worldwide, many in Eastern Europe and the former Soviet Union. The BASIS Collaborative Research Support Program led by the University of Wisconsin also addresses these issues.

PVO/NGO PANEL: FRESH FROM THE FIELD PERSPECTIVE

Moderator: Ben Homan, *President, Food for the Hungry*

Mr. Homan commented on the significance of the panel meeting at 11:00 a.m. to discuss an 11th hour situation. He read 11 words from 11 lines of a testimony by Secretary of State Colin Powell to the Senate Foreign Relations Committee: "suffering, violence, atrocities, destroyed, confiscated, struggling, desperately, stark, raping, killing, and impeded." Several lines later in the same testimony Secretary Powell used 11 more words: "dislocated, starving, hounded, murderous, complicit, malicious, at risk, and consigned to death." Mr. Homan said that most of the people in the room could place those words into the context of Darfur.

Mr. Homan challenged the meeting participants to think about action-oriented ideas as they listened to the presentations about Darfur.

Bill Garvelink, *Deputy Assistant Administrator, Democracy, Conflict and Humanitarian Assistance Bureau, USAID*

Mr. Garvelink provided an overview of the situation in Darfur. He said that there are approximately 6 million people in Darfur and 2.2 million of them are at risk. Of those at risk, 200,000 are refugees in 11 camps in Chad; 1.6 million are displaced and live in 140 camps or settlements, only about half of which are regularly accessible by UN agencies and NGOs. Approximately 1.3 million people are affected by the current fighting in Darfur. The number of IDPs is increasing and there may be additional refugee migration to Chad.

Mr. Garvelink remarked that the humanitarian infrastructure in Darfur is robust and growing. The government of Sudan (GOS) placed many obstacles in the way of humanitarian efforts and it took many months to get up to speed. NGO expatriate workers now number over 700. There are over 68 registered NGOs in the area, of which about 50 are active. The UN, the International Committee of the Red Cross and the Federation are now active in Darfur. USAID's Disaster Assistance Response Team (DART) has about 17 people on the ground in Darfur and Khartoum.

Mr. Garvelink said that the US government and USAID have been active in Darfur for a long time. The fighting started in March 2003. USAID's first humanitarian specialist was there a month later. In the summer of 2003 airlifts of commodities began. The cease-fire began on April 8, 2004 and the DART team arrived a few days after that. In June, Mr. Natsios pledged \$299 million through FY05. So far, \$302 million has been spent. Of that, \$75 million has gone to assisting refugees in Chad.

Mr. Garvelink said that there are still humanitarian assistance gaps. Hopefully, this month food will be delivered to all of the beneficiaries targeted by the World Food Programme (WFP). Up to this time, certain IDP settlements have been missed or have received only partial rations. The security situation and the geography have made food delivery very difficult. Only about half of the people have access to clean water. Less than 65% have access to sanitation. Shelter remains a problem. The refugee camps in Chad are facing a very bad situation as well. There are substandard conditions in all of the refugee camps.

The prognosis for Darfur is not good. Mr. Garvelink said that the situation will get worse before it gets better. The GOS is placing bureaucratic obstacles in front of humanitarian workers. Insecurity is increasing. IDPs remain confined to their settlements. In most IDP camps around the world, people have the opportunity to leave the camps to look for food, water, or fuel. In Darfur this is not an option. If men leave the camp they are killed; if women leave the camp they are raped. The people in the camps are totally dependent on the international community. It is a very desperate situation.

Mr. Garvelink remarked that violence is increasing. It is expected that violence will increase further as the rains subside. Banditry is also increasing. The harvest this year was 10-20% of normal. Livestock is a serious problem. Normally the livestock migrates during this season, but they did not move this year because of the fighting. As a result, they ate all of the local available feed. In addition, the rains have not been good and

wells are drying up prematurely. Mr. Garvelink predicted that in early 2005 the situation is going to be very difficult in Darfur.

Jeff Drumtra, *Senior Advisor on Internal Displacement and Protection, Bureau for Democracy, Conflict, and Humanitarian Assistance, USAID*

Mr. Drumtra just returned from a month in Darfur with the DART team. He said that the situation in Darfur is now entering a new phase. The first phase was the genocide of last year and the first half of 2004, marked by massive burnings, killings, and rapes. That has not disappeared, but it led to phase two, which was the gradual ramping up of humanitarian assistance. Now in the third phase the violence is ratcheting up again and some administrative obstacles are being put back in place by the GOS.

He said that it is hard to identify the cease-fire in Darfur. It isn't making much of an impact throughout the region. Helicopter gunship attacks have been confirmed as recently as early October. The victims refer to the GOS strategy as "ten villages into one," moving people off of their land into central areas. The GOS is depopulating the countryside as a matter of social policy and military strategy.

In South Darfur alone, the AU cease-fire coalition is dealing with 140 alleged violations in a 12-week period. With the breakdown of law and order, there is increased banditry. Ambushes on the highways are becoming more common, especially those targeting relief convoys. This represents an extra layer of violence and insecurity that has been introduced over the past couple of months. Mr. Drumtra said that the violence could worsen at the end of the rainy season when new military campaigns traditionally begin.

He remarked that the conflict has completely disrupted the economy throughout Darfur and in neighboring states. Water points have been cut off by the conflict. He said that it is easy to imagine a new layer of localized conflict developing as pastoralists search for new ways to move their livestock through the countryside.

Mr. Drumtra described the camps as very volatile. People are both intimidated and angry. There have been incidents in which government officials have been attacked or beaten in the camps by the IDPs. The attitude in the camp is one of immense trauma and loss. People have lost their land, their homes, their livestock, and often their families. There is still a high level of fear in the camps.

Some of the worst IDP camps are little better than outside prisons. Even during the middle of the day people in the worst camps are afraid to step outside their huts for fear of being beaten or killed. They are afraid to walk 100 meters to the latrine at night. The idea of going outside the camp is even more frightening. Mr. Drumtra called this a second wave of exploitation.

People have been forced from their homes and put into camps where assistance is still inadequate due largely to the impediments put in the way by the GOS. Because the food aid is insufficient people need additional food and fuel. If they leave the camps, they are

subject to rape, beating or killing. Still, many people take that risk because they are so desperate.

The labor pool has grown so that in many locations the going rate is 50 dinars a day for a full day of labor, equivalent to 20 cents. A full donkey-load of firewood sells for about 250 dinars, or \$1.00. However, to buy that firewood in the camp it will cost about \$6.00. Some of the same people that caused the displacement have become middlemen, further exploiting the people in the camp.

Mr. Drumtra said that there is a need for continued ramping up of humanitarian relief, but also a further push for protection. The best protection would be a political settlement, but that does not appear to be on the horizon. The second best attempt at protection would be a greatly expanded AU peacekeeping force with a very aggressive mandate to assist the victims of the violence. He said that this is not likely to happen soon either. As a result, the humanitarian community is left to do the best it can with "soft" protection, trying to make life a little safer whenever possible, or at least make sure that they aren't doing any harm when providing services.

Mr. Drumtra remarked that there is a great deal of effort within USAID on strengthening the humanitarian system to put more emphasis on protection and security.

Lauren Landis, *Director, Office of Food for Peace, Democracy, Conflict and Humanitarian Assistance Bureau, USAID*

Ms. Landis discussed the food situation in Darfur. She traveled to Darfur with the delegation of Administrator Natsios in mid-September.

Ms. Landis said that the US has been quick and generous in its response to Darfur. WFP made its emergency appeal on April 8 and the US committed 30,000 metric tons of food by April 14. The first shipment of commodities were into Port Sudan by May 20. She said that it was important to get as much food as possible pre-positioned prior to the rainy season. To date, the US has provided \$112 million in food assistance to Darfur. Approximately \$27 million of food aid was provided to Chad. She remarked that these numbers are tremendously significant with respect to the total budget of the Food for Peace program. It is an enormous amount of assistance going to one country.

Despite very hard work by the NGO community and the WFP, Ms. Landis said that the food situation is still very precarious. The numbers of beneficiaries reached only tells part of the story. To keep nutritional levels stable and to keep malnutrition and mortality at bay, full, balanced rations are needed. Due to the insecurity, the rainy season, the bureaucratic delays, and the logistical challenges of getting food to remote locations, a full ration is not reaching all locations on a regular basis.

WFP, along with CDC, SAVE/UK, and SAVE/US, recently released a study of Darfur that found the following:

- The overall global malnutrition rate for children under five was 21.8, which is quite serious.
- Only 18% of the malnourished children identified received supplementary feeding.
- None of the severely malnourished children surveyed received emergency therapeutic treatment.
- Emergency therapeutic centers in Darfur run by NGOs are not accessible to those who need them.
- Eighteen percent of the people were found to have acute respiratory infections.
- Diarrhea prevalence was 41%.

Ms. Landis stressed that USAID has been working very hard to make sure that the pipeline is well funded. The end of the rainy season will allow for more food delivery by truck, provided there is stability. Up to now food has been delivered using a combination of road, airlift and airdrop, a very expensive set of transportation mechanisms. In most places in the world, delivery of food costs approximately \$500 per metric ton. In Darfur, it costs twice that amount. As a result, the money that goes into Darfur buys less food. Also, Ms. Landis emphasized the precariousness of the pipeline. One late ocean delivery or one pledged donation that falls through can mean that thousands of children go without a ration.

Due to the protracted nature of the crisis and the potential for the situation to worsen, Ms. Landis said that food aid needs are expected to increase for 2005. CARE recently did a market study showing that market prices have gone up approximately 60% in Darfur. This year, the harvest appears to be about 20% of normal. Questions remain about how much will be harvested and how much will make it to market. The coping capacities of local communities appear to be weakening. There may be more movement into camps as a result of this, increasing the number of people that need food assistance.

Ms. Landis remarked that because it takes so long to move food in Darfur, in January it will be necessary to start planning for the next rainy season. They will try to deliver full rations, as well as store extra food for the rainy season. It will be logistically very difficult and very costly.

The cost of this operation is tremendous. Ms. Landis estimated that responding to Darfur in 2005 will cost approximately \$200 million. Current analysis of emergency food aid needs globally for 2005 indicate that there could be \$1 billion shortfall in emergency food aid needs. The situation in Darfur is probably the most immediate and the most serious, but it is just one of many global food crises. She added that the good news is that the recent US Crop Report indicates that the US harvest is good and prices may come down. However, there are still tremendous oil and freight costs associated with transporting food around the world.

Nancy Aossey, *President, International Medical Corps*

Ms. Aossey remarked that the International Medical Corps (IMC) has been in existence for twenty years. IMC's focus is to reach the most underserved and dire parts of the

world. IMC has worked in Southern Sudan since the mid-1990s. They established a presence in the camps in Chad in early 2004, and more recently in Darfur. The IMC team, made up of seasoned aid workers, reported that the situation in Darfur was one of the worst they had ever seen.

When IMC first sent teams into Darfur, Ms. Aosseý said that they ran into tremendous logistical and political difficulties. She noted the extraordinary leadership, both in Chad and Darfur, from the US government. IMC is used to working in difficult environments, but they would not have been able to get established in Darfur without the assistance of humanitarian experts in the US government.

Ms. Aosseý remarked that the situation in Chad is extremely tense and fragile. IMC is very concerned that if more people cross the border there will not be enough resources for them. The local population of Chad is very poor and this crisis has had a terrible impact on them. IMC found that some of the local people were dressing up as refugees so that they could receive assistance. Fortunately, the donor community recognized the state of the local community and decided to give assistance to anyone who needs it. A malnutrition study conducted in Chad in June by UNICEF and CDC showed that the malnutrition status of the local population was only slightly less than the refugee population.

IMC is very worried about the ability of the camps to handle a large influx of people, possibly up to 100,000. She said that the situation in Darfur is extremely insecure. Banditry is on the rise. All of the traditional coping mechanisms have been overwhelmed. Some people that returned to Darfur from Chad have since migrated back to Chad because of the insecurity.

Ms. Aosseý commented that there is great concern in the humanitarian community about the worsening situation. Spontaneous settlements are popping up that are not receiving any services. She remarked that the NGO community recognizes the need for more coordination in Darfur and Chad. NGOs are forming informal partnerships to help each other get established and operate more effectively.

In closing, Ms. Aosseý said that IMC is not optimistic. They expect that conditions will deteriorate and challenges will increase in the coming months. Given the extraordinary leadership on the part of the US government, IMC hopes that other governments will participate more fully.

Christopher Daniel, *Senior Regional Representative for Africa, Catholic Relief Services*

Mr. Daniel remarked that Catholic Relief Services (CRS) has a 30-year history of working in service to the people of Sudan. CRS worked in Northern Sudan from 1972 to 1984 at which time they shifted all of their resources to Southern Sudan. CRS was a pioneer member of the Operation Lifeline Sudan consortium. They currently employ about 250 staff in Sudan, with about 50 focusing on the emergency operations in Darfur.

CRS also assists their local partner in managing three refugee camps in Chad, which house about 40,000 refugees.

Mr. Daniel said that the scale of the crisis in Darfur compelled CRS to reactivate programming in Northern Darfur and reestablish themselves in Khartoum. He expressed his thanks to CARE, Save the Children, and World Vision who helped CRS get established in the region. Additionally, he echoed Ms. Aosse's appreciation of the excellent support from USAID.

In 2004, CRS arrived in Khartoum with a dual mission of starting emergency programming in Darfur and beginning a new base of operations in Khartoum. They simultaneously conducted assessments in South and West Darfur, providing resources to their partners. In August, CRS opened a field office in El Geneina to serve as their base of operations for the provision of humanitarian services to hundreds of thousands of IDPs in and around the region.

It was clear to Mr. Daniel that security was the number one issue within the IDP population. He remarked that living in physically and emotionally stressed environments is taking a toll on families. It will be essential to provide training and information to community leaders on trauma healing and gender-based violence.

Mr. Daniel said that security is also a concern for humanitarian aid workers. Banditry is on the rise, with relief vehicles as a more frequent target. There are unconfirmed reports of continuous skirmishes between Sudanese Liberation Army and government forces in several areas, particularly North Darfur. Two employees of Save the Children were tragically killed in a land-mine incident.

Mr. Daniel commented that CRS faced a little different situation than that of the first responders. They were able to focus on preventing a second humanitarian disaster due to conditions that were developing in the camps. As a result of a series of needs assessments, CRS identified food distribution, water and sanitation programming, and psychosocial and trauma support as priority interventions in the camps in the El Geneina area, as well as along the Northern Corridor that borders Chad.

CRS started by using their non-food item (NFI) distributions guided by the UN Joint Logistics Centre common pipeline to help target their work. CRS is now in the process of working with the DART team, finalizing implementation plans for a project that will focus on water, sanitation, and shelter. CRS hopes to incorporate crosscutting psychosocial support services throughout all their programming.

Mr. Daniel echoed the concerns of the other speakers about the mid- to long-term food needs. There will continue to be serious threats to people's lives as assets are depleted and their coping mechanisms deteriorate. It is expected that a percentage of the Darfur population will remain insecure and in need of food assistance for at least another year. CRS recently signed an agreement with WFP targeting about 75,000 beneficiaries along the Northern Corridor.

The current picture of humanitarian needs in Darfur is constantly changing, especially as elements of displaced populations are continually moving in hopes of finding better security or more assistance. All areas in Darfur are in theory covered by humanitarian assistance right now, but Mr. Daniel remarked that vulnerable populations are still increasing. It is believed that there are still pockets in outlying areas that are in even worse situations. For example, in September, CRS distributed an NFI package to about 20,000 people 80 kilometers north of El Geneina. The CRS donation was the first aid that they received. He said that this might not be an isolated case.

Mr. Daniel stated that reliable and comprehensive data on the situation is still lacking because the IDP movement is very fluid. Some surveys have had trouble compiling accurate nutritional information due to gaps in coverage, as well as different collection methodologies. CRS is working with the University of Khartoum to address some of these issues through a vulnerability assessment covering most of West and South Darfur. They are working in conjunction with UN agencies on this, and believe it is important given the variability of statistics.

Mr. Daniel discussed some of the significant logistical, human resource, and administrative issues in working in Darfur. Identifying international staff willing to be in the field for extended periods of time is difficult. He remarked that CRS has good local staff. However, the Humanitarian Affairs Commission of the GOS is involved in the recruitment process, often making the process lengthy and complicated. Finding office space was also a challenge, as organizations are competing for very limited space. He said that operating with headquarters in Khartoum and a field office in El Geneina is tough because of the great distance and difficulty of travel between the two areas. Finally, CRS is concerned with the security of their staff and partners, as well as that of the IDPs.

In closing, Mr. Daniel said that CRS has made some great strides in helping the people of Darfur, but much more needs to be done by the international community. This includes providing support for the AU forces to ensure that people's rights are respected so that humanitarian workers in Darfur can help people restore their dignity.

QUESTIONS AND ANSWERS

Mr. Homan remarked that last week the cost of gasoline in West Darfur was \$6.00 per gallon. He also noted that Darfur is the size of France.

A participant from Iraq commented that she was a refugee in Turkey for one year. She asked the panel about efforts to teach tolerance among the refugees in the camps.

Mr. Garvelink replied that the initial focus has been on immediate life-saving efforts. USAID is now starting to look at some conflict mitigation activities, including ways to stimulate the growth of civil society within the camps.

Larry Diamond, ACVFA Member, remarked that the US has failed to respond adequately over the last several decades to genocide and mass killings. He said that the disaster in Darfur is political in origins and could be abated with a much larger AU peace implementation force. He urged the international humanitarian assistance community to stand up collectively and say, "We need troops in large numbers, on the ground, now."

Mary McClymont, ACVFA Member, remarked that InterAction has been advocating over the last six months for both expanded humanitarian access and expanded force. She inquired about the funding situation.

Mr. Garvelink said that USAID has been working very closely with the Office of Management and Budget and the US Congress to ensure sufficient resources for Sudan. USAID does not want the emergency in Darfur to bankrupt its efforts in the rest of the world.

A participant asked if technology for cooking with solar energy, rather than firewood, has been considered for the camps.

Mr. Drumtra answered that as a first step in thinking about what might work in Darfur USAID reviewed lessons learned from prior refugee situations. He pointed out that each intervention runs the risk of creating new problems.

Joe Davis from the American Federation of Teachers said that his organization would like to send a small delegation to the refugee camps in Chad. He asked if that would be possible.

Mr. Daniel said that CRS is rolling out an educational program in the camps in Chad. They are working with people who had been teachers. He asked AFT to follow up with CRS on this idea.

UPDATE ON THE GLOBAL DEVELOPMENT ALLIANCE (GDA)

Holly Wise, *Director, Global Development Secretariat, USAID*

Ms. Wise remarked that since the first time she spoke to the ACVFA in 2001 the Global Development Alliance model has "grown up." It is now reasonably well integrated into USAID programs and operations. She said that the ACVFA has been a key venue for sharing developments on the GDA approach with the NGO community. USAID has also appreciated and benefited from the work of the GDA subcommittee of the ACVFA.

Ms. Wise said that the GDA business model was created by career Foreign Service officers with an eye to collaborating with the private sector to address the needs of the world's poor. Secretary of State Colin Powell announced the formation of the GDA in 2001 and has been a consistent and steadfast supporter of the GDA model.

According to Ms. Wise, the GDA was grounded in two realities:

- USAID business processes and the quality of partnerships needed some improvement.

- Globalization has brought a very different resource base and set of partners for development work.

In the 1970s about 70% of the resources that flowed from the US to developing countries were classified as official development assistance (ODA) and 30% were private flows. In 2000, the numbers reversed with 80% of resources from private sources and only 20% from ODA. While the US is the largest bilateral donor in total dollar terms, this contribution is small in comparison to the private resources that could be available for development work.

In 2003, the total flow of resources to the developing world was \$112.6 billion. Ms. Wise pointed out that the ODA portion is very small, while the private capital flow is very large. Remittances are an important force to understand and consider how to mobilize. The advent of new wealth foundations, corporate giving, and Diaspora communities introduced new players in this effort. She said that US universities and colleges give more in scholarships than Australia, Austria, or Belgium give in foreign assistance. Ms. Wise remarked that while the ODA levels may shift based on the issues of the day, private resources will continue to be very important.

Ms. Wise shared four characteristics of successful alliances:

1. Joint definition of the development problem and its solution
2. Innovative approaches to development problems
3. Shared resources, risks, and rewards
4. Leveraging of significant non-federal dollars

Ms. Wise discussed the external assessment of the GDA, the Executive Summary of which is available on the GDA website. She described the methodology as including an internal survey, queries of external stakeholders, and visits to ten countries. She said that the assessment found that the GDA model is known and broadly accepted throughout USAID, but there are still issues about making it work and connecting with partners, as well as questions about procurement.

Ms. Wise presented a summary of the alliances in 2002 and 2003. There were approximately 200 alliances into which USAID invested about \$500 million and leveraged over \$2.4 billion in partner resources.

One of the major accomplishments of the GDA was the integration into USAID programs and processes. Individual USAID Bureaus created incentive funds and provided leadership to form new alliances. For example, the Africa Bureau allocated \$30 million to alliances, the Asia/Near East Bureau created their own incentive fund, and the Europe/Eurasia Bureau allocated specific resources for an incentive fund. There were global solicitations from the GDA, as well as mission and region specific solicitations.

Ms. Wise remarked that the GDA maintains a database of alliances to collect information about and better understand the alliances. She said that the alliances are very dynamic, so the numbers are constantly shifting.

The GDA focused on three major areas over the last several years:

1. Organizational change
2. Outreach
3. Alliance formation

Ms. Wise commented that organizational change has been the most challenging. USAID focused on business process improvement and staff capacity building. USAID is developing a new procurement instrument to facilitate work with non-traditional partners. She said that with partners that may bring an equal or greater amount of resources to the table, traditional procurement instruments (grants, contracts, and cooperative agreements) are not always the most appropriate.

In addition, USAID has tried to make solicitations more open-ended. She said that there is specific signaling in Requests for Applications and Requests for Proposals designed to encourage alliances. USAID is also trying to embed new language about alliances in strategic planning documents.

Ms. Wise commented that USAID is providing incentives for USAID staff to take on alliance work. The Foreign Service Officer precepts include alliance-building attributes as important to promotion. Two new awards have been created: the GDA Excellence Award (for an alliance) and the GDA Leader's Award (for an individual or group).

A guide to creating alliances, *Tools for Alliance Builders*, is available on the GDA website. USAID has also done a lot of training around alliance building. There is a continuing need to train USAID staff.

Ms. Wise remarked that USAID has worked hard to get the message out in lots of new venues. The leadership of USAID has decided that GDA is an important business model and that there are continuing needs for both outreach and mainstreaming throughout USAID. She said that the GDA Secretariat will continue through calendar year 2006 and will have a small incentive fund.

Ms. Wise said that other organizations are keen to learn from USAID's experience with the alliances. The Kennedy School of Government at Harvard University has just written a teaching case on the GDA model for their course on collaborative governance. GDA was also a semi-finalist in Harvard's Innovations in American Government Award last year.

USAID provides resources to the alliances through grants, primarily to NGOs. A number of alliances are supply chain alliances, focusing on particular commodities, such as timber, cocoa, or coffee. The vertical integration in these alliances has brought buyer credit, market signaling, technical assistance, guaranteed markets, attention to environment, social and/or labor issues, and increased incomes for poor beneficiaries.

Ms. Wise remarked that many of the alliances are not high dollar value. Significant private resources have been leveraged. In addition to cash, some of the most powerful assets that have been leveraged are corporate voice, employee time and expertise, employee giving, and technology.

In terms of corporate voice, USAID is seeing business leaders engaged in ways that heretofore they have not been. David O'Reilly, Chairman of ChevronTexaco, has spoken about food security, poverty alleviation and debt relief. In the *Journal of Economic Perspectives* Mr. O'Reilly said, "Effective partnerships can often break down barriers that isolate developing countries from the community of nations and the world of ideas. Partnerships can also break down barriers that are caused when governments, businesses, and communities simply do not speak each other's languages or at worst, distress one another."

Ms. Wise said that employee time and expertise are proving very useful as well. She provided several examples of business experts providing advice and expertise to partners in developing countries. This often results in the kind of expertise that USAID could not afford to buy. Technology is also being contributed to alliances, ranging from hybrid corn and water purification sachets to information technology.

Employee giving is also being mobilized. Some companies are purposefully trying to align employee giving with a focused philanthropy program. Global Giving, a website financed by USAID and private partners, is being used by corporations as part of their annual employee giving campaigns. Corporate social responsibility continues to give incentives to companies that seek new partners and ways of having positive interactions with stakeholders.

Ms. Wise remarked that the concept of supporting and scaling up efforts of social entrepreneurs is gaining currency. Diaspora mobilization and remittances are also a favorite topic, but there is great need for more innovation in this area.

Ms. Wise sees public-private alliances as an enduring and evolving international model. USAID will place an increasing emphasis on results and impacts. There will be more attention to how alliances can best be co-managed. Ms. Wise expects that there will be link-ups with the Millennium Challenge Corporation programs, particularly with the Threshold Program. Ms. Wise remarked that there will continue to be opportunities to focus alliances on health, education, and the environment, but there will also be increased opportunities for alliances in democracy and governance, conflict mitigation, and post-conflict reconstruction.

In addition to the GDA Secretariat team, there is a GDA point of contact in each Bureau and Mission. Soon there will be Regional Alliance Builders in the Caribbean and Africa.

Ms. Wise said that through building alliances the community of caring has been enlarged, new resources have been leveraged, and USAID staff has been re-energized. She stated

that USAID remains committed to forming alliances to achieve greater impact and sustainability.

QUESTIONS AND ANSWERS

Benjamin Homan, ACVFA Member, asked how to harness the energy and resources of individual entrepreneurs for development efforts.

Ms. Wise responded that there is no one way of doing that. It is important to look at each Diaspora community individually. There are some individuals that prefer to act alone, in which case NGOs can provide ideas and mechanisms for putting money into the community. She also remarked that often times Diaspora communities are interested in finding ways to combine their efforts for greater impact.

Steve Moseley, ACVFA Member, asked about the GDA experience with alliances in Africa.

Ms. Wise replied that although Africa lacks robust private investment, some of the best examples of alliances come from there. It debunks the notion that the alliance model only works in places where companies have a market incentive. She said that companies sometimes make investments for philanthropic reasons. However, it remains a challenge.

Colette Cowey, Independent Consultant, asked how to distinguish between alliances that are development oriented and those that are basically corporate welfare.

Ms. Wise responded that it is a concern, but alliances don't generally offer enough money to make a difference to a company that is in trouble otherwise. She said that USAID looks very hard at alliance activities and whether or not they take the company into areas that they would not otherwise have been involved in.

Joe Davis from the American Federation of Teachers inquired if the GDA has experienced conflict around encroaching on markets.

Ms. Wise said that USAID has found a great deal of collaboration between local investors and international players. The GDA does not tend to focus on production, and as a result there is not usually a perception of crowding of markets. Work on labor standards or certification of products tends to benefit everyone.

Dellaphin Rauch-Hol with Carelift International asked if there are best practices from USAID Missions that can be shared with NGOs.

Ms. Wise responded that alliances are relationship-based. She recommended that NGOs go to places where they have already built relationships. One innovation is to have the Mission in one country manage a program in another country in the region.

Mr. Reese remarked that there is a lot of discussion in the NGO community about how to influence the G8 meeting next year. He asked Ms. Wise to comment on approaches to mobilizing more money from private sources.

Ms. Wise responded that it is important to have a robust foreign aid program, but non-state actors can bring new resources to the table. She suggested that non-state actors be invited into policy discussions, thereby helping to solidify their commitment to development.

UPDATE ON THE MILLENNIUM CHALLENGE ACCOUNT

Introduction: Barbara Turner, Deputy Assistant Administrator for the Bureau for Policy and Program Coordination, USAID

Ms. Turner opened her remarks by saying that the Millennium Challenge Account (MCA) is one of the most exciting new things in development. She reminded the audience that it takes a long time to create institutions. While there has been talk about the MCA for a couple of years, the MCA legislation only passed earlier this calendar year. It is clearly a work in progress, and it is a good time to get feedback from the NGO community.

Ms. Turner stated that USAID has an excellent working relationship with the Millennium Challenge Corporation (MCC). USAID has created a Secretariat to the MCC to work with the MCC staff, as well as to support Administrator Natsios in his role as Board Member. As the MCA eligibility criteria were revisited this year, USAID pulled together information and analysis for MCC. They are currently working together on the Threshold Program. USAID has been able to share information and lessons learned with the MCC. The issue of accelerating development, particularly in the poorer countries, is one that will require everyone to work together.

Charles Sethness, Vice President for Monitoring and Evaluation, Millennium Challenge Corporation

Mr. Sethness provided an update on recent activities of the MCC. In January, the MCC had only six staff members, but has since grown to more than 60 people. This makes a very tangible change in the amount of work they can handle. He said that the blank slate concept that applied to the ideas underlying the MCC still applies to some extent. New employees are arriving at the rate of two or three a week. Procedures and processes are very much a work in progress. There is a lot of room for creativity and innovation.

Mr. Sethness said the MCC has accomplished a great deal already. The selection process for the first group of eligible countries was finished in May. The staff then fanned out to all 16 countries to explain the program and expectations for country participation. In August, the MCC received the first of the proposals that they are currently working with.

During the introductory country visits MCC staff tried to make it very clear that they were interested in this being an iterative process. The MCC wanted to hear from them as early as possible about their priorities based on a broad consultation with all segments of their society. This iterative process continues after the initial proposal is submitted. The MCC received 13 responses, ranging from very rough drafts of ideas to some fairly well polished proposals. Those 13 responding countries have requested approximately \$4.2 billion of funding.

Mr. Sethness explained that after the proposals are received, the MCC begins initial due diligence. They have done this in half a dozen countries to date. The MCC consults with the US Congress before the formal negotiations begin. The MCC is continuing with more due diligence to flesh out what the proposals are going to look like as they become compacts or legal agreements.

Mr. Sethness said that the proposed programs are very complex, perhaps too complex in most cases. He remarked that the proposals are characterized by having too many pieces across too many sectors, and some of the pieces are too small. He reminded the audience that there must be economies of scale considering that the MCC will operate with no more than 200 full-time staff. Most of the proposed programs have a focus on the rural poor, increasing agricultural productivity and rural incomes.

Mr. Sethness commented on the effective coordination mechanisms already in place. The MCC has developed good relations with USAID staff in Washington, DC and in the field. The MCC is also cooperating with the Department of Agriculture, Army Corps of Engineers, Department of Treasury, Department of Transportation, and others. He said that it has been nice to see how many people are interested in seeing the MCC be a success. There has also been a great deal of energy put into developing strong relationships with other donors and international organizations.

Mr. Sethness said that the country selection for 2005 will take place at the Board of Directors meeting on November 8. There will also be a public meeting to discuss the country selection.

The MCC has gone to Congress to consult on proposals for Honduras and Madagascar. He remarked that this is a new process for everyone and there are a lot of good, tough questions being asked. The main concerns are around financial stewardship, the beneficiaries, impact on beneficiaries, environmental sustainability, and the impact on US jobs.

Review of the preliminary proposals has focused on four areas:

1. Poverty reduction through economic growth
2. The consultative process
3. Environmental sustainability
4. Measurable impact on economic growth towards poverty reduction

Mr. Sethness said that the MCC is working on large, complex transactions in an iterative, Socratic approach. They are insisting on developing a quality product while enhancing country capacity. He commented that it is proving to be a slow process.

Mr. Sethness expects that a few more proposals will go forward for consultation with Congress in the near future. He said there is no guarantee that any particular proposal will receive funding. Funding decisions will be made based on the likelihood of the desired impact and the strength of the proposed implementation plan. Mr. Sethness remarked that the first compact might be signed in the December to February time frame.

Clay Lowery, *Vice President for Market and Sectoral Assessment, Millennium Challenge Corporation*

Mr. Lowery remarked that the three big issues for the MCC at this time are the FY05 country selection, the Threshold Program, and the progress on the FY04 program. He said that there have been some changes in the indicators for the FY05 selection process. The current data is on the MCC website. They are still trying to get updated data on the "Investing in People" category. The Board of Directors will make the FY05 selections in early November.

Mr. Lowery discussed the changes in the candidate countries. The MCC reported to Congress that there were 83 countries that fell under the per capita income written in the statute. Of those, 70 countries were eligible for foreign assistance. Since that time there have been changes in the status of five countries. The Department of State removed Guinea-Bissau from the sanctions list, making them a candidate country. Two countries that were on the list, Equatorial Guinea and Tuvalu, are no longer eligible because their per capita income is higher than we originally thought, putting them above the limit allowed by law. Iraq is not a candidate country because it lacks a specific type of bilateral agreement. Finally, North Korea fell below the per capita income line, but will not be considered since they are now on the sanctions list.

The MCC is working very closely with USAID on the Threshold Program. The MCC is an incentive-based approach to development. It is designed to provide countries with incentives to make better policies to catalyze economic growth and reduce poverty. Mr. Lowery noted that the "challenge" part of the MCC is making the cut. The Threshold Program is a way to accelerate growth and change in those countries that are just below the threshold.

The MCC program is about rewarding countries for sound policies that promote economic growth, good governance, and good social policies. The reward is the opportunity to work with the MCC as a partner to help increase economic growth and reduce poverty. Mr. Lowery said that the Threshold Program is different. These countries were close, but they have deficiencies. The purpose is to target reforms in policy areas that will help them improve their scores on the threshold indicators. He added that there is no guarantee that a participant in the Threshold Program will eventually become an MCC country.

Mr. Lowery commented on the FY04 program. He said that the MCC is looking broadly at all the proposals as they come through the door. The MCC is required to consult with the US Congress fifteen days prior to final negotiations. The proposals from Honduras and Madagascar were deemed coherent enough to be presented to Congress.

The Honduras proposal focuses on rural poverty. There are two main objectives:

1. To increase agricultural productivity
2. To facilitate the transport of goods from the rural areas to the markets

Mr. Lowery said that the Honduras proposal stems from their Poverty Reduction Strategy Papers (PRSP) process. He remarked that there is still a lot of work to be done, including due diligence on the engineering studies, environmental impact assessments, intended beneficiaries, and fiscal accountability.

The Madagascar proposal is quite different, but it also focuses on reducing poverty for the rural poor. The proposal is aimed at shifting activity from a subsistence orientation to a more market driven orientation. It includes assistance on policy reform areas, as well as implementation systems and processes.

The Madagascar proposal focuses on three areas:

- land tenure
- the financial sector
- investment opportunities, particularly in agriculture

Mr. Lowery expects that the MCC will start formal negotiations with Honduras and Madagascar very soon.

Mr. Lowery remarked that the MCC had \$1 billion in FY04. The President requested \$2.5 billion in FY05. However, proposed Congressional levels are much lower, \$1.5 billion in the House of Representatives and \$1.12 billion in the Senate. Mr. Lowery said that if the program ends up at those levels it would definitely impact programs. The lower budget level would mean a choice between fewer participating countries or smaller programs in each country.

He commented that Congress wants the MCC to fully fund the programs up front. That would avoid appropriation risks and aid in planning. He added that when the Board of Directors meets they will have to re-endorse the current countries, so that either FY04 or FY05 monies can be used.

QUESTIONS AND ANSWERS

Larry Diamond, ACVFA Member, asked the panel to comment on due diligence with respect to corruption control and how the MCC can leverage improvement in this area.

Mr. Lowery answered that the median is around the 25th percentile on the corruption indicator. Corruption was included as an indicator to try to hit on this issue. He said that the MCC will try to build capacity in financial systems.

Mr. Sethness added that any success along the way in terms of bumping up resistance to corruption moves the median. They hope that "the rising tide floats all boats phenomenon" will apply.

Ms. Turner commented that the majority of countries that failed to make it into the MCA failed on governance, and primarily on corruption. She said that corruption will be a focus of the Threshold Program.

Ted Weihe, ACVFA Member, commented on the expertise available in the ACVFA and their interest in working with the MCC. He asked about a specific role for the ACVFA.

Mr. Sethness responded that the MCC is putting a great emphasis on country ownership and suggested that the only way to have this dialogue would be country by country. He said that he would contact Mr. Weihe about how the ACVFA could be of assistance in particular countries.

Mary McClymont, ACVFA Member, reiterated that the ACVFA and other NGOs are ready to assist in the consultative process. She said it might be possible in the process of helping to build civil society to provide technical assistance that would help to facilitate the dialogue. She also asked if there are now clearer perspectives about funding mechanisms and the role of NGOs.

Mr. Lowery replied that programs, mechanisms, and implementers will vary from country to country, depending on what makes sense for each country. The MCC will try to make sure that the process is open and competitive. Mr. Lowery does not expect that governments will be doing much of the implementation. He noted that Honduras has already identified some areas in which civil society organizations could help out in the implementation.

Mr. Sethness added that there should be opportunities for NGOs in the monitoring of programs.

Kenneth Wollack, ACVFA Member, commented on the PRSP process and the tendency for parliaments and legislators to be marginalized or ignored. He asked if the current dialogues include legislators and politicians who ultimately will have to debate the issues and pass laws about program implementation.

Mr. Lowery replied that in many cases both the private sector and legislators have been left out of the PRSP process. The MCC has been trying to engage with parliamentarians and legislators. In most of the country visits they made an effort to talk to as many of the opposition figures and parliamentarians as possible.

Mr. Moseley, ACVFA Member, asked how the MCC is counseling the FY05 countries on scale of the proposals. He also asked about opportunities for international NGOs to be involved in the MCA through partnering with indigenous organizations.

Mr. Sethness answered that the MCC would probably be encouraging governments to look to indigenous partners for monitoring. They may well want to look to the international community for some of this. More broadly, the MCC is not leaning on governments in very many directions, other than to make sure that they have a coherent plan to reduce poverty through economic growth.

Mr. Lowery responded to the question about the allocation of funds. There are many different formulas for the distribution of funds. He said that they want to leave the door open to various opportunities. His advice to governments is to make the case for what they need, and the program will be considered. He added that they are also encouraging the leveraging of other resources.

Mr. Reese reminded the meeting participants about the new and exciting aspects of the MCC. First, it invests a lot of money in the world's poorest countries. It is also an opportunity for longer-term investment in countries that invest in their own people and govern justly. Mr. Reese thanked the panelists and expressed a desire on behalf of the ACVFA to continue the dialogue.

Ms. Turner said that the MCA provides sufficient funding to put towards a new approach to development, but to really make a difference the President's request should be funded. She also remarked that USAID has a lot to learn from this process. They are learning a lot about local ownership and participation.

Mr. Lowery added that the MCC is committed to the participatory approach. It does slow things down, but it is key to the development of a strong program.

Mr. Reese said that PVOs share this commitment to participation. In closing, he said the ACVFA and the NGO community also want the MCA to be a success.