Foreign Assistance:
What Works and What Doesn't
with Recommendations for Future Improvements

Prepared for the
HELP Commission
March 12, 2007

Finalized December 14, 2007

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1. Introduction

Most institutions that spend resources are concerned about the utility of those resources in achieving desired objectives. Where resources are limited relative to the size of the objectives sought, the desire to ensure that scarce resources are most effectively arrayed is even more compelling.

Surely this is the case with official development assistance (or ODA) today. Over the past two generations, these transfers of official funds—committed for the express purpose of accelerating material progress and reducing the bite of extreme poverty in less developed regions—have been far from negligible. Estimates by the Development Assistance Committee of the OECD place total ODA disbursements between 1960 and 2006 at nearly $2.7 trillion.[1] Yet, the scale of global poverty remains truly imposing. By the World Bank's estimate between one and two and a half billion people in the developing world continue to live in extreme poverty.[2] Clearly, understanding how best to target scarce resources on such a significant global problem is critical to ensuring the responsible use of what are in fact public (i.e., taxpayer) resources.

There has long been debate about whether or not "foreign assistance works." The assessment often generates more heat than light in large part because the various studies (a) define "foreign assistance" differently; (b) cover differing time periods; (c) examine different levels of impact (project, program, national economy); and (d) include, exclude, or control for intervening social, cultural, historic and economic variables to different extents and in different ways. The data are often ambiguous or can be used to support contradictory conclusions. Though the debate over the impact and efficacy of aid has often been heated, it has offered enlightenment with far less consistency.

The importance of attempting to determine what characterizes development assistance success is not simply a matter of improving technical performance. It is also a matter of public trust. The foreign assistance dollar is a public dollar, and hence holds a public trust and must have public support. Demonstrating to the public that the expenditure of foreign assistance dollars has positive impact, and that it leads to the successes promised, is essential to earn and keep that trust.

Much research indicates that, apart from disaster and humanitarian efforts, the American public is skeptical of foreign assistance.[3] Indeed, Americans vastly over-estimate the percentage of the Federal budget that is spent on foreign aid, a lack of understanding which is probably not surprising given both the complexity of the budget and the multiple streams of funding for developing countries within the budget.[4]

In a summary of American public opinion survey polls on foreign aid conducted by the Chicago Council on Global Affairs (formerly the Chicago Council on Foreign Affairs) since 1975, key trends were identified. Percentages vary somewhat over the decades, but in general Americans see giving economic aid to foreign countries as a low priority among other foreign policy goals. In 2004, only 18 percent of the public considered that improving the standard of living of less developed countries was very important. Sixty-four percent of Americans want to cut back economic aid, and only 8 percent would expand it.[5] Nor has there been any significant shift in the belief that the United States spends too little on foreign aid, which has remained between 8 and 9 percent. Americans respond more favorably to foreign aid when it is portrayed as an investment and when it can demonstrate effectiveness and accountability. This is probably so because some 50 percent believe that aid money ends up in the hands of corrupt government officials. Support for aid to Africa is high, and Americans are most positive about foreign aid for combating hunger and helping to improve education in poor countries. A strong majority supports the channeling of aid through private organizations.

Moreover, even in a historically supportive Europe, belief that European national governments help the poor in developing countries has declined from 74 percent in 1996 to 62 percent in 2004, and only 51 percent believe that the foreign assistance programs of their governments improve the lives of the poor in developing countries.[6] Clearly, if there is a case to be made that foreign assistance "works," it is not reaching the public.

Adding to the urgency of identifying and routinizing "best practices" in development assistance is the basic and powerful fact that the world economic environment has changed dramatically since 1969, when the Pearson Commission called for an "aid target" of 0.7 percent of affluent countries' national income as development assistance.[7] Simply put, although development assistance flows have surged since 1970, other sources of international finance for developing regions have been growing even more rapidly, so that the relative importance of ODA importance of development aid has declined significantly. In 1970, according to World Bank estimates, ODA amounted to about 8 percent of total export earnings for the developing countries (what the World Bank terms "low and middle income countries); by 2005, the corresponding proportion was just 3 percent.[8] In 1970, according to the OECD, net ODA accounted for 45 percent of the total flow of financial resources for developing countries; by 2005, by OECD's reckoning, this was down to 36 percent.[9] And even these latter OECD numbers may overstate the role of ODA in current capital flows to low-income areas: if we were to include philanthropy and remittances to developing countries (quantities OECD does not comprehensively measure), ODA would not account for more than 25 percent of the overall flow of financial resources to developing countries in 2005.[10] Against this backdrop of real-world economic trends, ODA would appear to be less central today to overall economic trends for the developing regions than it has been for decades. Improving the effectiveness of development assistance programs is thus critical not only for the wellbeing of the intended beneficiaries, and for the credibility of those programs in the eyes of the taxpayers who finance them, but also for the sake of the sheer relevance of these programs to the governments that stand to accept them.

This paper will summarize the debate over the link between foreign assistance and economic development at the macro (i.e. national economy) level. However, given the range of definitional problems and the myriad of non-aid factors involved in economic growth, the bulk of the discussion will address current evaluation efforts and results at the "micro" level, i.e., at the level of foreign assistance impact at the level of program and project effort within partner nations.

In that latter context, the paper will:

1. review current efforts being undertaken by a variety of development organizations, public and private, to better understand the impact of foreign assistance at the micro or project level;
2. review the evaluation approaches at USAID and what those evaluations have shown about U.S. foreign assistance;
3. isolate the shared characteristics of foreign assistance that have led to success
4. briefly review the demographic, social and economic changes that are currently apace and likely to continue in the developing world and that will determine the political, economic, and human stage upon which foreign assistance will play its role in development in the coming two decades;
5. isolate critical areas for Commission consideration to ensure that U.S. foreign assistance leads to positive results in the future.

For the most part and to ensure brevity, existing literature will be summarized and cited, but not discussed in detail. Commission archives contain copies of all literature cited, which can be made available for further discussion and review as required.

2. Development Aid and the Prospects for Economic Prosperity

a. Does Foreign Assistance Create Economic Growth?

The debate over whether foreign assistance causes economic growth is more than half a century old, beginning with Paul Rosenstein-Rodan's case for aid and growth for postwar southeastern Europe in 1945 and including Milton Friedman's argument in 1958 that aid will "almost surely retard economic development."[11] A few years later, another economist, Peter Bauer, claimed much the same, arguing that "foreign aid has also enabled many governments to pursue policies that plainly retard economic growth and exacerbate poverty."[12]

Subsequent work has sought to prove or disprove this contention.[13] The focus of the studies cited has been at the macro-level, i.e., the relationship between aid and national economic growth measures. The focus was not on the specific relationship between levels of aid and particular measures of development (e.g., infant mortality), the consensus being that growth would itself lead to development in economic and social sectors, and resulting disparities would be resolved by public policy and private endeavor. This view was not shared by all economists (few views are), and the "basic human needs" movement of the 1970s reflected the doubt that aid and growth alone could be counted upon to reduce poverty.

One of the earlier studies, completed by Paul Mosley, John Hudson, and Sarah Horrell in 1987, confirmed these theoretical arguments and found it "impossible to establish any statistically significant correlation between aid and the growth rate of GNP in developing countries."[14]

Peter Boone furthered this research in the mid-1990s by successfully controlling for two important factors: 1) the influences on growth outside of aid; and, 2) the causal relationship between aid and growth (i.e. a potential negative correlation between the two arising from aid's propensity to flow to slow-growing countries). Boone's findings were consistent with those of Mosley et al., although in his 1994 report Boone did find that in small countries or countries where the percentage of aid to GNP was high (greater than 15 percent of GNP), there existed a positive relationship between this aid and public investment. In the following year, however, his findings were again in-line with Mosley et al. as Boone "found in all countries there was no significant correlation between aid and growth."[15]

Further studies on this subject by Craig Burnside and David Dollar in 1997 and 2000 acknowledged the general lack of aid effectiveness, but found that "aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies."[16] Otherwise, in countries without a good policy environment, aid "seems to have been dissipated in unproductive government consumption."[17] Dollar and Pritchett concluded that in countries with good policies and strong leadership, each additional 1 percent of GDP in foreign aid raises economic growth by 0.5 percent.[18]

These findings were powerful and highly influential. If true, they provided a key selectivity test with which to distribute future aid. While other economists worked to test the validity of these results, politicians and journalists were more impatient, quickly embracing the findings and their impacts on foreign aid policies. Institutions such as the Millennium Challenge Corporation (MCC) were created to use this selective approach towards foreign aid allocation.

Within a few years, however, several important rebuttals to Burnside and Dollar's work surfaced. A few studies attempted to prove the point that aid was effective in all policy environments, not just good ones. Others sought to disprove the conclusions of Burnside and Dollar's work.

Probably the most well-known study trying to show aid effectiveness in all policy environments was published by Henrik Hansen and Finn Tarp in 2000. After surveying more than 100 previous studies over what they describe as three generations of literature on the aid-savings, aid-investment, and aid-growth relationships, the authors conclude that a consistent pattern emerges and "the positive aid-growth link is a robust result in all three generations of work." They claim that "aid works, even in countries hampered by an unfavourable policy environment."[19]

Other analytical reviews that were published around the same time, however, disagreed with Hansen and Tarp's findings. A report published by the Oxford Policy Institute suggested that the evidence sided with those who believed that aid had no effect on recipient country growth.[20]

In 2000, the Oxford Policy Institute in the United Kingdom published a fifty-year retrospective of foreign aid across all sectors beginning with the success of the post-Second World War reconstruction of Western Europe. On average, Oxford has found that aid has had no effect on recipient-economy growth. Aid accelerates growth if domestic economic policies are good, but actually retards growth if they are poor. The impact of aid on poverty is complex but, on average, neutral. Where it has been successful, its influence has been through accelerated economic growth in the presence of good economic policy. Economic growth is the best cure for poverty, provided low-income countries ensure that the benefits of growth are widely shared.[21]

The most powerful rebuttal to Burnside and Dollar, then, came from William Easterly, Ross Levine, and David Roodman. Easterly et al. attempted to duplicate the Burnside and Dollar data, so as to extend the analysis an additional four years. After reconstructing the original data set, including a few missing data points, and extending the data four more years, Easterly et al. then replicated the Burnside and Dollar methodology. Easterly et al argue that "when we expand the [Burnside and Dollar] data by the full set of data available…we no longer find that aid promotes growth in good policy environments."[22] This work has served to reduce the level of confidence in the Burnside and Dollar findings.

Independently, Easterly then went on to produce another report that substituted alternative, "equally plausible" definitions of "aid," "policies," and "growth" with those in the Burnside and Dollar report and found that "the significance of the interactive variable between aid and public policy was not robust…the results that aid boosts growth, in good policy environments is fragile to defining growth, aid and policy over a sufficiently short period."[23] Again, this exercise demonstrated the degree to which the variables chosen and the time periods studied can affect results.

In 2004, using yet another analytical approach, Michael Clemens, Steven Radelet, and Rikhil Bhavnani argued that the prior research on aid and growth was flawed in that it did not differentiate between the various types of aid, nor did it take into account the intended timeframe of such efforts. [24] Aid aimed at having an effect in the long-term (e.g. aid to support democracy) should not have an effect in the short-term, just as humanitarian and emergency aid should not have a lasting effect on development. In a recent web posting, Radelet stated "the real world is a messy place…and gets messier when we try to force all aid into a single relationship."[25] Thus, the authors aimed to match "aid flows to the observation period with which they might reasonably affect growth."[26] Their study focused on short-term aid that was intended to have a demonstrable effect on economic growth within four years (e.g. budget support, infrastructure investments, etc.).

The authors found "a positive, causal relationship between this 'short-impact' aid and economic growth…over a four-year period. The impact is large: at least two-to-three times larger than in studies using aggregate aid"[27] (i.e. in studies where all forms of aid are grouped together). They contended that each additional $1 increase in short-term aid would raise income for the typical country by $1.64 in net present value terms. They also claimed that the results were highly statistically significant, holding up under many different circumstances, institutional quality levels, policy environments, and income levels.

In mid-2005, the International Monetary Fund (IMF) undertook its own examination of the evidence. Raghuram G. Rajan and Arvind Subramanian attempted to take an extremely comprehensive approach in their analysis, by testing the aid-growth relationship across multiple variables through cross country regression analysis. [28] As the authors stated, "…we test, under one framework, the robustness of the relationship across time horizons (medium and long run) and periods (1960s through 1990s), sources of aid (multilateral and bilateral), types of aid (economic, social, food, etc.), timing of impact of aid (short-term versus long-term), specifications (cross-section and panel), and samples." Their findings were clear—the authors found "little evidence of a robust positive impact of aid on growth…[and] virtually no evidence that aid works better in better policy or institutional or geographical environments, or that certain kinds of aid works better than others." [29]

Perhaps equally as important as this finding, the authors claimed that, even under a controlled, theoretical exercise, aid's impact on growth is minimal. Using a simple growth model and "the most optimistic assumptions about the use of aid (optimistic in the sense that all aid is invested and none of it is wasted or consumed)," Rajan and Subramanian found that "the impact of aid should be positive but relatively small in magnitude."[30] In other words, even in a perfect aid environment where all aid is invested, the relationship between aid and growth should still be hard to detect. Thus, the lack of a robust relationship between aid and growth in studies using real-world data is not surprising.

The authors argue that previous studies claiming a robust relationship between aid and growth, as was found in Clemens et al.'s work, would only be plausible if aid had a substantial impact on total factor productivity growth (e.g. via human capital accumulation or by promoting better policy environments). Even then, to replicate the results of these studies, "an additional 1 percentage point of aid on GDP would [have] had [to result in] an impact on productivity growth in developing countries roughly equivalent to that of the IT-revolution in the United States in the 1990s."[31]

b. Are Countries That Grow Foreign Aid Recipients?

Of the eight major studies cited above, the majority show no relationship between foreign assistance and economic growth, and only one asserts an unqualified positive relationship. If the evidence that aid creates growth is weak at best, then are countries

that have grown recipients of foreign assistance? If not causal, then has aid been a significant factor associated with growth in any country?

Asia

Asia is the obvious place to start. Asia has been the source of the world's most dramatic economic growth over the course of the past four decades. While the developing world's GDP has grown an average of 4.8 percent since 1980, developing countries in Asia have grown an average of 7.5 percent.[32] This underestimates the size of the discrepancy since the growth of developing Asia serves to boost the overall developing world's growth rate.

In 1996, Commissioner Jeffrey Sachs and Steve Radelet constructed a cross-country growth model that attempted to isolate the significant factors that enabled certain countries in Asia to grow at above average rates when compared to the rest of the world during the period 1960–1995. Sachs and Radelet's main conclusions highlighted the fact that Asian growth stemmed from a number of important factors.[33]

First, the prosperous Asian countries started with lower initial income levels, thereby allowing them to "catch up" to wealthier countries around the world. Second, the East and Southeast Asian economies were among the world's most open; exports, increasing rapidly over the period due to the removal of restrictive trade barriers and import taxes, powered this growth. Third, government savings in the region were nearly double that of South Asia and the rest of the developing world. Fourth, the institutional quality of the East Asian economies was extremely high, and "constructive interactions between the government and the market tended to record faster growth." Fifth, demographics came into play— during this time, the growth of East Asia's working-age population exceeded that of the total population by nearly a full percentage point, a much greater increase than found in other developing regions.[34]

Sachs and Radelet's analysis found that policy variables, including the government savings rate, openness of the economy, and institutional quality, were the most important differentiating factors between East and Southeast Asian growth and the remainder of the developing world. Demographics, including increased life expectancy and positive changes in labor dependency ratios, which both serve to increase the supply of working age labor, were also shown to have a significant impact on growth rates.[35]

China and India

Sachs and Radelet contend that despite China's socialist model, the country still fits within their model since China's policies emphasized market competition, exports, and openness. They point to the dual approach of the country: socialist China controlled the state-owned industrial sector while the free market approach applied to the "nonstate" sector. It was this non-state sector that powered China's exceptional growth. In the late 1990s the non-state sector accounted for more than half of industrial output, two thirds of GDP, and 80 percent of jobs, including farm employment.[36]

China was also adept at opening up its economy to the world markets and reaped the immense benefits of increased trade. The country created special economic zones (SEZs), which enticed foreign investment through favorable tax rates and investment climates.[37] SEZs spread from the initial four to fourteen coastal cities and are now making their ways inland. As a result, foreign direct investment (FDI) inflows to the country exceeded $60 billion in 2005.[38]

India's growth over the past few decades has not been as consistent or as dramatic. From 1951 to 1980, its aggregate growth rate was an unspectacular 3.6 percent, dubbed by some contemporaries the "Hindu" rate of growth. While the private sector constituted a large portion of the economy, the country's restrictive licensing system stifled growth. Economic and trade liberalization and the easing of regulation, first in the last 1980s and then a second wave in the 1990s, led to expanded trade and investment and sustained growth. In the decade of the 1990s, the ratio of total goods-and-services trade to GDP rose from 17.2 percent to 30.6 percent.[39] Still, India's growth lags that of China for a number of reasons, none attributable to foreign assistance. A central reason is the difference in the structure of the two economies, with India more reliant on services. The decline in the share of the economy due to agriculture has resulted not in growth in industrial production (and hence a rise in goods trade) but in a growth in the services sector, whose output is less globally traded.[40]

The role of foreign assistance in the Asia region is certainly worth noting. For some countries, like Taiwan and Korea, foreign aid has played a significant role in the development, if not directly, then indirectly. In contrast, for the past thirty years in China and India, ODA has only averaged 0.23 percent and 0.42 percent of GNI, respectively.

Korea and Taiwan

A closer look at Korea and Taiwan reveals that aid from the United States was significant at key moments in their development, and included both economic and military assistance. The effectiveness of that aid, however, is often disputed. Commissioner Eberstadt contends that after periods of large infusions of aid to both Korea and Taiwan, it was actually the threat of discontinuation of U.S. foreign aid to those countries that provided the impetus for these countries to make the reforms necessary to launch themselves into periods of sustained economic growth. Mason and Steinberg, in comprehensive assessments of aid in Korea, conclude that it had a minor (if any) role in taking Korea from poverty to wealth in just four decades.[41] Others have argued that it was the U.S. aid itself, invested wisely, which propelled these countries down their respective growth paths. One argument for aid leading to growth in Korea, made by Haggard and Moon, is that U.S. foreign aid facilitated the training of a cadre of economists and technocrats who were able to offer managerial expertise and competency once the policy inclinations of political leadership shifted propitiously.[42]

Africa

Although Asia may the logical place to start in examining the relationship between aid and growth it is far from the only place. Brett Schaefer's presentation to the HELP Commission examined the pattern in Africa.[43] Overall, Sub-Saharan Africa received net official development assistance equivalent to 6.3 percent of the region's GDP annually for twenty-four years. In the period 1980 to 1994, when aid reached 8 percent of GDP, eleven of the fourteen years saw negative GDP growth and only three years saw positive growth. Moreover, his data divide sub-Saharan African countries into four groups based on aid received from 1960 to 2000 and compares their respective per capita growth rates. Countries with the highest levels of aid grew less.

William Easterly's presentation to the HELP Commission reported similar findings from Africa. He showed that the higher foreign aid is a percent of GDP, the lower economic growth per capita was over time.[44]

The recent evaluation of the Canadian development program, commissioned by the Standing Committee on Foreign Affairs and International Trade of the Senate of Canada, placed on its cover a graph of the decline of African per capita GDP as a percent of the world average of GDP from 17.1 percent in 1965 to 9.7 percent in 2004. The decline occurred even as Canada spent $12.4 billion in bilateral development assistance in Africa from 1968 to 2004, leading the Canadian government to conclude that, in large measure, their foreign assistance expenditures were ineffective in contributing to any economic progress in sub-Saharan Africa.[45]

c. What Does Contribute to Growth?

Why is the expected link between aid and growth so elusive? Many reasons are cited in the literature, a number of which seem worth mentioning here.

First is the argument that aid inhibits international competitiveness and "outward orientation." The IMF's Rajan and Subramanian published a work focused on this phenomenon and insisted that aid might actually be detrimental to recipients in the long run.[46] Similar to the effects of the "Dutch disease," or the natural resource curse, increased amounts of foreign aid works to strengthen the currency in the recipient country, making manufacturing exports uncompetitive. Resources are thus shifted away from production and investment, oftentimes with adverse consequences to the economy as a whole. Moreover, similar to the impact that volatility of commodity prices can have on countries with an extensive dependence on natural resources as a source of income, aid-heavy countries become more susceptible to the vicissitudes of donors and aid flows. As a result of this inherent risk, multilateral financial institutions, such as Rajan and Subramanian's IMF, work with recipient countries to assist them in adopting monetary policies designed to prevent currency appreciation from occurring during times of significant aid inflows.

The second major argument is one of dependency. Aid itself may remove incentives for countries receiving funds to enact the reforms necessary to grow, as it threatens the status quo and the flow of aid. In the once-notorious case of South Korea, it has been written that President Syngman Rhee "created a distorted and politicized economic environment that discouraged savings, investment, and trade, among other things. Students of the Korean economy have even described the Rhee policies as 'aid maximizing.'"[47] Third, managing aid itself absorbs enormous resources within countries, especially as the sources of aid proliferate. This can affect a country's ability to focus on its own priorities and erode budget discipline, thereby diverting a recipient government's human and management capacities and compromising its own financial structures.[48]

Fourth, there are numerous reasons to provide aid, and many of them have nothing to do with the goals of development. Burnside and Dollar's work indicated that the allocation of aid has been driven more by other variables, which they labeled "donor interests," than by a good policy environment. These include the necessity of the donors to push money out the door and the perverse incentives within the aid industry itself.

Fifth, the aid industry has its own flaws, and has no corrective mechanism like the capital markets to demand efficient and effective processes. William Easterly claimed that "the two key elements necessary to make aid work, and the absence of which has been fatal to aid's effectiveness in the past, are feedback and accountability."[49]

Sixth, knowledge transfer between aid agencies is limited; it is difficult for one agency to learn from its own mistakes and even harder to learn from another agency altogether.[50]

Seventh, the environment into which aid is flowing is often inherently hostile. For example, corruption is rampant in many environments where aid is dispensed—a problem that makes success much more difficult to achieve. Adam Lerrick, a Carnegie Mellon economist and advisor to the Joint Economic Committee of the Congress, contends that the total amount of stolen foreign aid money that sits in off-shore bank accounts is in the range of $95 billion to $500 billion.[51] Thomas Dichter further points out, "historical evidence suggests that good governance and policies help countries grow and reduce poverty whether they receive aid or not. In short, when countries get their acts together, they don't really need much aid; they are already on their way. And when they don't have their acts together, aid is wasted."[52]

Finally, Lord Peter Bauer, the eminent British development economist, argued that aid usually does not appreciably augment resources in the recipient economy. Rather it centralizes power in the government agencies and institutions that receive it. If centralization of power (as contrasted to empowerment of people) is deleterious to growth, then, perversely, aid can be complicit in discouraging material advance.[53]

So, if there is some plausible set of explanations for why aid might not typically have a strong causal effect on growth, what does, in fact, lead to economic growth in low income settings?

Over the past several decades, considerable research has examined the complex interplay of factors that have resulted in sustained economic development in once-poor societies. [54] This literature points to a wide variety of important factors that favor or conduce to economic growth in low income settings—factors that extend far beyond the purview of foreign assistance; factors that may stand as pre-requisites to any contribution that foreign assistance might make to growth. To put it bluntly: there are other, much bigger actors than foreign aid on the economic stage.

What are these factors and conditions?

First, a policy environment that promotes open economies and encourages trade and private investment (and the institutions that support them) is widely acknowledged to be the most important factor in stimulating and sustaining economic growth. In specific terms, this means policies that respect and encourage private enterprise of all types and sizes, reduce barriers to trade, and encourage private economic innovation in all sectors of the economy. There is no substitute for pluralism, private initiative, and international economic openness in harnessing human energy to the national economy. Schaefer's presentation to the HELP Commission presents data showing that economic freedom and functioning markets in Africa are associated with per capita income, and that increases in policies that crate open economies are associated with increases in per capita GNP. In general, whether in Africa or elsewhere, the more countries improved their level of economic freedom, the higher the average economic growth they achieved.[55]

In the post-Communist era, the story of Estonia offers only the most recent example of the economic importance of getting policy right. Reducing taxes, eliminating tariffs, welcoming investors, facilitating business creation have helped turn a former Soviet backwater into what is increasingly known as the "Baltic tiger."[56]

Second, growth is associated with trade and investment in the context of openness to the global economy. Nobel Economics Laureate Michael Spence's recent work focuses on policies that encourage openness, mobility and creativity in China and elsewhere. Spence argues that institutions and policies that encourage resource (including labor) mobility and savings and investment are critical to create and take advantage of competitiveness. The key is capitalizing on the opportunities of global reach. "There are no examples of sustained high growth in the postwar period that do not involve integration into the global economy."[57]

A third factor is governance and the rule of law. Spence emphasizes that laws that encourage and protect private property, and hence encourage savings and investment, are critical to long term growth.[58] Other leading authorities on governance have also emphasized these points in their presentations to the Commission including Professor Joel Barkan from the University of Iowa, Marina S. Ottoway, Director of the Middle East program at the Carnegie Endowment for International Peace, and Judge John Walker, Jr., of the U.S. Court of Appeals, 2nd Circuit.[59]

Fredrik Erixon, Chief Economist for the Swedish think-tank Timbro underscores the prerequisites of rule of law and good governance to progress. Examining a variety of case studies, Erixon concludes that, in addition to openness to trade and investment, the structure of property rights, the effectiveness of government in providing public goods, and the reliability and objectivity of the court system are essential to any development progress.[60] An extensive assessment of Canadian development efforts in Africa, summarized in greater detail below, emphasized that "good governance is the key" to development progress."

Fourth, the nature and quality of public leadership are enormously important. Much has been written about the degree to which corruption eats away at the roots of an economy.[61] As will be noted in more detail below, the ownership of development efforts by the leaders and communities of developing nations is a critical element of success for any development endeavor. Various experts presenting to the Commission have emphasized that corruption compromises virtually any effort to improve economic performance.

Finally, human resources are key. The knowledge, skills, and actions of individuals are the sinew of economic development. Economic development is not mechanistic; it is a product of human endeavor and human capacity. Such elements as freedom, policy, and leadership are essential to unlocking development, but the capacity of the people of a nation to take opportunity and convert it into globally competitive development turns the key.

If these central internal factors are more important than foreign assistance in explaining why countries grow, where and how does foreign assistance matter? There is some evidence that foreign assistance itself has not incorporated the recognition of these central factors into its programming in any significant way.[62] Yet, it is also almost certainly true that $2.7 trillion of public money flowing via foreign assistance to developing countries since 1960 cannot all have been utterly in vain.[63] Has foreign assistance mattered at all on the ground?

3. Foreign Assistance on the Ground: The State of Evaluation

Simply reviewing the role of foreign assistance at the "macro" level (i.e., relative to larger measures of economic growth) is insufficient in assessing its track record. Much foreign assistance flows not as cash to general government coffers but in the form of support to particular projects or programs. Is there evidence that foreign assistance "works" in terms of the well-being of individuals and communities to which it is targeted? Even if the threads that can be traced between foreign assistance and economic growth are silken and difficult to perceive, are the bonds between foreign assistance and human wellbeing stronger and more easily traced? And, if so, what is to be learned about how best to design and pursue foreign assistance support intended to help people in need?

Determining what works and what doesn't at the project or program level, of course, requires reliable evidence. Just as the literature linking foreign assistance to macro-

economic change encompasses many different measures, time-frames and methodologies, assessments of the effectiveness of foreign assistance initiatives on the lives of individuals and communities also take many different forms.

Comparisons among these studies are difficult. Some evaluate inputs (commodities, training, capital, or technical assistance used to carry out an endeavor); some evaluate outputs (the actions that result from the endeavor, e.g., numbers of people trained); some (but very few) evaluate impact (the change in the condition of the community or institution that occurs as a result). Some remain true to local effects; some attempt national or regional extrapolations. Some consider effects in the life of the project; some look at post-project effects; very few return to the scene many years later to assess the sustained or long term effects of foreign assistance initiatives. Indeed, the World Bank assesses only 5 percent of its loans 3 to10 years after disbursement.[64] Very few analyze rates of return or the costs of initiatives relative to alternative uses of the foreign assistance dollar.

Rather, the overwhelming number of reports focus either on the effectiveness of the process of "moving the money" (i.e., were projected deadlines met, was disbursement timely, were management benchmarks met) or on the achievement of the specific objectives of single, specific projects supported with foreign assistance monies (i.e., number of people trained, numbers of children vaccinated, numbers of meals provided, numbers of seeds distributed) not on the broader contributions of that project effort to larger or longer-term community well-being.

At this micro-level, there are equivalent problems in definition, the selection of timeframe, the selection of variables to consider. Because projects and programs take place in real time, it is seldom possible to hold all other conditions constant to determine with precision what impact (or what failure) is attributable to a project or program of foreign assistance itself, and what is attributable to conditions or cultures over which the project or program had no control. Thus, evaluations within programs and generalizations across programs are complex, but not impossible, undertakings.

A review of the state of impact evaluation by the Center for Global Development (CGD) found that "only a tiny handful of evaluations were designed in a manner that makes it possible to identify program impact."[65] While there are anecdotal impressions about "what works and what doesn't" from field experience, empirically defensible generalizations find exceedingly weak support in the technical evaluation literature or among experienced evaluators.

a. Efforts in Multilateral and Overseas Development Institutions

Even recognizing these difficulties, however, there is widespread acknowledgement that the state of knowledge about the effectiveness of foreign assistance at the project and program level is seriously, even alarmingly, underdeveloped.[66] An examination by the Center for Global Development found that only 15 percent of UNICEF's reports contained impact evaluations, and a review of 127 studies of 258 community health

financing programs found only two with robust conclusions about the impact of access to health services.[67] Indeed, the OECD's Development Assistance Committee (DAC) has established an Evaluation Network to develop good practice guidelines for impact evaluation that all donors can use, and an African Evaluation Association has been created to assess project impacts throughout the continent.[68]

A variety of organizations have embarked on efforts to improve the understanding of "what works and what doesn't" at the level of specific foreign assistance efforts.

The World Bank

The World Bank has long been concerned with evaluation of effectiveness, conducting annual Reviews of Development Effectiveness through its Independent Evaluation Group (IEG). The IEG reports directly to the Bank's Board of Directors through the Director-General for Evaluation. The IEG's 2006 evaluation reports that the Bank has found it challenging to help countries formulate and implement strategies that effectively reduce rural poverty. [69] In order to determine how countries fared, IEG used a sub-sample of twenty-five Bank-assisted countries for which outcomes had been assessed. Only eleven reduced the incidence of poverty between the mid 1990s and the early 2000s, while poverty either stagnated or increased in the remaining fourteen countries.

While the Millennium Development Goal of ensuring universal education by 2015 spurred World Bank efforts to increase school enrollments, this came at the expense of attention to learning outcomes. In Uganda, "access to education" as measured by the numbers of children in school has improved greatly, but there are now ninety-four children per classroom and three students share a single textbook.

The IEG found that achieving poverty reduction remains a substantial challenge for the Bank because growth has remained sporadic and has translated into poverty reduction with varying efficiency.

In a recent review of World Bank publications, academic researchers, while recognizing the World Bank's contributions to the field of development research, were concerned that the Bank might be giving too much attention to less robust findings of success than fully reporting on contradictory evidence.[70] In a critique of the World Bank evaluation system, Adam Lerrick testified before the Committee on Foreign Relations of the U.S. Senate: "After half a century and more than $500 billion, there is little to show for World Bank efforts."[71] Lerrick recommends that internal project evaluation at the World Bank be replaced with bona fide external auditors who determine the lasting contributions of projects after three to five years. He estimates that less than two-tenths of one percent of the U.S. contribution to the World Bank could pay for such an audit of one third of all World Bank projects.

Other Bilateral Donors

The call for the evaluation of effectiveness is broad across all donor agencies. On March 2, 2005, the Paris Declaration of Aid Effectiveness was endorsed by over 100 ministers, heads of agencies and other senior officials to in an effort to spur improved knowledge and decision making about aid allocation.[72] Bilateral aid organizations are also paying serious attention to the state of their evaluation capacity and the results (or lack of same) of their project work.

In a recent and stark evaluation of Canadian foreign aid, the Canadian Parliament Senate's Foreign Affairs Committee concluded that all players in sub-Saharan Africa had failed the region.[73] More specifically, the report states: "Slow, unaccountable, and poorly-designed development assistance and ineffective foreign aid institutions in Africa, including the Canadian International Development Agency, have also failed to achieve sustained improvements in the quality of life of African citizens." The report goes on to note that "…by far the biggest obstacle to achieving growth and stability in sub-Saharan Africa has been poor government and poor leadership within Africa itself."[74]

The Committee concluded that international development assistance could not provide the long-term answer for Africa's progress. Vibrant economies and good governance, it found, are the answer, and these can be generated only from within African countries, not from without. Thus, the Committee recommended that Canada should assist only those countries that are making a real effort to strengthen their political and economic governance, build private sector economies, improve economic infrastructure, and generate employment opportunities for their citizens.

The Committee concluded that CIDA has failed to make a foreign aid difference in Africa despite spending $12.4 billion in bilateral assistance. These conclusions were based on hearing over 400 witnesses in seven African and three donor countries.

The Netherlands is one of the few DAC donors that has engaged in development aid evaluations for over twenty-five years. Although the evaluations have only recently focused on impact assessment, the Policy and Operations Evaluation Department has heavily criticized failures: "In many countries heavy dependency on aid hampered the development of ownership...In most countries; the degree to which aid is actually aligned with the government's policy and financial management frameworks is limited... Major institutional and capacity shortcomings hamper the governments of the countries concerned."[75] The Dutch publicly-funded foreign assistance program is being converted into a foundation-type approach to resource transfer. The foundation will be expected to raise private money to support its assistance projects in addition to accessing public monies.

Ireland has also established an internal evaluation department within the Department of Foreign Affairs, but has found that the attempt to assess impact is confounded by "the lack of clear outcomes criteria" established for the development efforts that the government supports.[76]

Germany, Australia, and Sweden have all been successful in gathering key findings within their project assessments. In a German study examining rural development projects, key findings highlighted project-based results and characterized successes and failures; i.e. "while living conditions of the target groups have improved in all four project regions...factors which jeopardize the sustainability of the positive results include infrastructure maintenance."[77]

In 1998, the Australian Agency for International Development provided two essential reports that highlight the importance of effective impact assessment. In *A Compilation of AusAID's Evaluation and Review Reports 1992–1997*, AusAid outlined eight sustainability factors including good governance, involving partners and stakeholders, ensuring technology is suited for the country, and projects that take into account socio-cultural context.[78] The report highlighted ownership and local participation in project design and implementation, supportive government policy, and human resources capacity as critical elements in ensuring project success.

The Swedish International Development Cooperation Agency (SIDA) also evaluates individual projects. Reviewing its programs in Bosnia and Herzegovina, SIDA emphasized the importance of local ownership of development efforts: "The major reason behind the success is the way the programmes were implemented: assisted self help in combinations with the transfer of agency to village committees—in particular their role in the selection of programme 'beneficiaries'...The implementation strategy bears the characteristics of a rights-based approach to programming, strengthened social trust collective confidence as well as self-esteem...."[79]

b. Efforts within US Private Philanthropic Institutions

Private Voluntary Organizations (PVOs)

PVOs in the United States also engage in efforts to assess the outcomes of their programs. Before examining examples of these efforts it is important to understand the structure of the U.S. PVO sector so as to align expectations with capacity. Over 80 percent of U.S. PVOs engaged in international relief and development have less than $500,000 in annual revenue. Only ninety-one have more than $10 million in annual revenue.[80] While small PVOs may be able to assess the outcomes of their support (numbers of children fed, numbers of blankets distributed), they are unlikely to have the organizational absorptive capacity or the financial resources to carry out detailed, longitudinal impact evaluations of their efforts.

Generally, small PVOs rely almost entirely on private philanthropy for their revenue. Many large PVOs, however, receive government funds, including from USAID. Overall, PVOs categorized as engaged in international, foreign affairs, or national security concerns obtain just over a quarter of their resources from government sources, but that portion can vary from the trivial to the majority of funds. Where there is significant USAID money in a PVO, evaluation efforts may be linked to USAID programs and requirements. In 2005, for example, the non-profit organizations of Cooperation for

Assistance and Relief Everywhere (CARE), Catholic Relief Services, Family Health International, Save the Children Federation, Inc. and World Vision International all were on USAID's top twenty grantees, received over $500 million in funding in 2005.[81] Many of these programs are evaluated by USAID, but not necessarily at the impact level.

For even the largest PVOs, efforts to evaluate impact are only in their earliest stages, and different strategies are taking place in different geographic locations of the very same PVO.[82] Indeed, a review of CARE evaluations for 2003 and 2004 indicated that the long-term or ex post facto impacts are not common. A full 75 percent of the evaluations did not assess post-project impacts.

A few of the leading PVOs in development assistance are actively engaged in educating their staff and the PVO community at large about the technical aspects of evaluation, and their relevance to their mission to improve people's lives. Interviews with large PVOs, conducted in preparation for this report, indicated that they build their programs around interventions that have already proven effective, so their concerns are centered on methods of implementation that will yield the expected impact. Some of these are CARE (which does meta-analyses every two years), Catholic Relief Services, World Vision, Save the Children, Oxfam, Accion, and Freedom from Hunger. PVOs dedicated to disaster relief have formalized knowledge sharing through a forum called the Active Learning Network for Accountability and Performance (ALNAP). Their interest is in learning from each other about the circumstances under which interventions successfully used in one humanitarian emergency can be applied elsewhere.

Several PVOs are attempting to assess program impact, including the Australian chapter of World Vision that is actively integrating impact assessments into its country planning and Family Health International which has engaged in extensive evaluation within its HIV/AIDS programs. Much of this latter work has been done through FHI's contractual relationship with USAID, and hence it is difficult to disentangle FHI's internal evaluation efforts/policies as an NGO from those of its USAID contractual commitments.

While randomized trials with a control group are the most effective way to prove impact, they are more difficult and expensive to design and implement. The Massachusetts Institute of Technology's Poverty Action Lab is becoming a focal point for applying randomized trial methods to poverty program impact measurement in a manageable and affordable way. Currently, the Lab is working with PVOs in India, Kenya, and Tanzania to measure the impact of programs in education, health, and gender equity. The Lab has not worked with USAID, however, and the potential for and benefits from such a relationship for USAID should be explored further.

Foundations

Generally, the story of evaluation in the foundation community is similar to that of most PVOs. Foundations require grantees to report on their progress and accomplishments. They may sponsor "communities of practice" to promote knowledge sharing among practitioners working in areas of special interest to the foundation. However, if they

sponsor studies to consolidate the learning from grantees working in the same area, they are not released into the public domain.

In general, the lack of widespread formal evaluation systems in foundations may reflect the fact that, for many foundations, grant size is quite small ($10,000–$25,000 or less to any grantee at any point in time), and most grants are only a year in duration.[83] As a result, comprehensive impact evaluation systems within or across grant categories would probably cost more than the value of the grants themselves. Moreover, given the small size and short duration of the grant investment, any impact that could be measured would be difficult to sort out from the other factors and resources present in most grantee project work.

Furthermore, what foundation leadership believes is important and what it actually does are often two different things. A survey of foundation CEOs by the Center for Effective Philanthropy found that while 70 percent of executives said they used evaluation techniques to formally assess their grant performance, over 40 percent of executives admitted to evaluating less than a quarter of their grants.[84] In a separate study, interviews with executives of fifty foundations found that evaluation in foundations is "tenuous, fleeting and shape-shifting" in part because, given the completely private nature of their work, the need for evaluation is only internally generated.[85]

Foundations which have been engaged in large grant-making in development for many years have a better track record of evaluation of their larger, multi-year efforts. The Rockefeller Foundation, the MacArthur Foundation and the Ford Foundation have all been engaged in development funding for many decades and expended hundreds of millions of dollars in the process. Their evaluation efforts are considerably more well-honed than those of smaller foundations. Although a newer entrant to the ranks of philanthropies, the Gates Foundation, by its very size, also has (and is allocating) the resources necessary to carry out complex evaluations of its efforts.

An illustrative exception is the Ford Foundation's evaluation of its Asset Building and Community Development Program.[86] Ford's examination of the ramifications of its investments included its early support for the Green Revolution, its seed capital support of the Grameen Bank in Bangladesh (which gave rise to the micro-finance movement), and its support for community ownership of forests throughout Asia. While the evaluation did not trace the specific pathways between Ford funding and empirical measures of impact, it did conclude that the underlying philosophy of empowerment of local communities to identify and solve their own problems was a critical element of success.

Another exception is the evaluation effort of some corporate foundations that, working within a business culture that assumes evaluation and results, often build evaluation into the roots of any major philanthropic effort. An excellent illustration is the work of the Bristol Myers-Squibb Foundation (BMS). In 1999, BMS made a ten-year, $115 million commitment (now $135 million) to address HIV/AIDS in Africa. The program, called Secure the Future, placed its emphasis on developing local capacity on the ground in

Africa especially among local PVOs. From the beginning, the program engaged the Yale University Center for Interdisciplinary Research on AIDS to work with local evaluators to assess impact. In 2003, BMS established the NGO Training Institute to increase the capacity of local PVOs to assess the efficacy of their programs.[87]

With other notable exceptions including the Rockefeller Foundation, the Ford Foundation and the Gates Foundation, most have focused on program implementation and not on impact evaluation.

c. Efforts Within USAID

The Foreign Assistance Act of 1961 required USAID to place high importance on evaluations, and USAID was one of the first government agencies to develop a comprehensive monitoring and evaluation system.[88] Those evaluation efforts have gone through several cycles.

In the early 1970s USAID developed the Logical Framework which required a formal planning-implementing-evaluating process. In 1979, Agency management began asking about the "people impact" and the long-term impact of the Agency's work. In response, the USAID Evaluation Office initiated an "Impact Evaluation Series" intended to identify any long-term impact of projects on countries and populations. In addition, for many years, USAID required all projects to have mid-term and final evaluations and it maintained an in-house, independent evaluation unit that routinely conducted cross-country studies of interventions and program impact over time.

While some USAID programs achieved documented success (e.g., smallpox eradication and introduction of oral rehydration therapy), program managers in USAID, and also across government, continued to focus their attention not on impacts but on program "inputs" (what types of resources, such as training, technical assistance, commodities, etc. were being used in the program and what was their cost) and the production of "outputs" (i.e., the immediate accomplishments that occurred following program implementation).

In 1993, frustrated that congressional and the Executive Branch decision-making about budget allocations was often hampered by the lack of good information on the results of on-going federal programs, Congress passed the Government Performance and Results Act, calling for all federal government agencies to become more "results oriented" in their program management. In turn, USAID's 1995 reengineering called for USAID program managers to turn from concerns with inputs, activities, and outputs of projects and instead focus on achieving larger strategic objectives. The emphasis was not to be on the particular results of particular projects, but on the combined effect of projects on strategic objectives.

As a result, project evaluations became optional, only to be done when driven by a clear management need. Along with this change in policy came a strong preference for

methods that were low cost, timely and practical for management decision-making. As the demand for project evaluations declined so did the pool of Agency evaluation experts.

The tide began to turn back toward evaluation in 2001. In that year, a USAID study noted the dramatic decline in evaluation from 528 in 1994 to seventy-nine in 2001, raising serious concerns about the loss of learning opportunities for the Agency.[89] In 2004, the Office of Management and Budget (OMB) adopted the Program Assessment Rating Tool (PART) to oversee agency compliance with the Government Performance and Results Act, in effect creating a demand for an integrated approach to program monitoring and evaluation.

In January 2005 the USAID Administrator launched an Agency-wide Initiative to Revitalize Evaluation within the Agency. He reinstated the requirement for evaluation of all major programs. In 2005, over 400 were conducted by the agency's field offices.[90]

All in all, as this summary overview may indicate, the record on development-related transfers of resources to low-income areas would seem to suggest that the evaluation function has been surprisingly limited, even cursory, with respect to the impact of funds that were expressly allocated to stimulate sustained economic growth and poverty alleviation in recipient societies. Do available data, however, provide adequate evidence for pointing toward "best practices" for USAID and other prospective development assistance donors? Is there hope for a genuine "learning curve" in the field of development assistance? This is the question we wish to explore in subsequent sections of our study.

4. What has USAID Learned?

Despite the ups and downs of the organizational emphasis on formal evaluation, between January 1996 and December 2005, USAID conducted and submitted to the Development Experience Clearinghouse (DEC) *annually* over 2,600 evaluations, evaluation summaries, assessments, analytic papers, conference papers/proceedings, and other USAID studies and documents. The ten years logged 26,285 documents.[91] Yet, among all of these thousands of documents, there has been only one series of impact evaluations (including randomized trials), totaling thirty studies, the majority of which examined medical interventions in the health sector. [92]

Before beginning, it is important also to acknowledge an equally important question: What has USAID forgotten? Thousands of documents that do not fuel a knowledge organization lead one to suspect that there is much, much knowledge and experience that does not inform USAID programming and decision-making. All organizations experience change and personnel turnover. But cycles of change at USAID and the disconnect between evaluation findings and management decisions mean that much institutional memory is probably being lost, and "lessons" are being relearned as though they were new.

a. Overview

The vast majority of the work housed in the Development Experience Clearinghouse (DEC) documents outputs not impacts. Moreover, as with USAID's impact evaluations, not all areas of development effort receive equal general evaluation attention. For example, a sample of 539 evaluations submitted to the DEC in the period 2000–2005 showed that 34 percent were in the health sector, with only 5 percent in conflict mitigation and 6 percent in humanitarian response programs. Hence, generalizations based on existing work may not represent the broadest array of experiences.

Even given these limitations, what has USAID learned? Which initiatives have "worked" (i.e., have had impact) and which have not?

Despite the complexity of the process of developing evidence of effectiveness, there are several technologies or interventions that have been identified by USAID as having had development impact, the level of greatest interest to the Commission. By collecting baseline data at the beginning and end of an initiative, evaluators were able to determine that "micro level" impact on the target problem was measurable. [93] We also verified some of these interventions in discussion with current and former USAID evaluation experts. As a preliminary list, the twenty-one initiatives that were cited as having an impact can be grouped in four development categories, although many initiatives involved more than one type of effort:

1. Those which centered on technology (e.g., agricultural research, oral rehydration salts, micronutrient fortification of foods, vaccines for smallpox, polio and measles, bednets, industrial pollution control);
2. Those focused on the financing (e.g., microfinance, development of finance industries, equity or enterprise funds);
3. Those addressing specific public policies (e.g., tobacco taxes, abolition of school fees); and
4. Those focused on human resources (girls' education, midwife training). [94]

It should also be noted that the types of USAID projects are essentially no different in aid appropriation accounts. The vast majority of security assistance, for example, actually flows to the very same types of programs that are supported by the "development account" side of the USAID budget. In 2005, security assistance from the Economic Support Fund account represented less than 20 percent of all U.S. Official Development Assistance (ODA) and was concentrated in Israel, Egypt, Jordan, Pakistan and State Department initiatives. This percentage is expected to decline in 2007.

Moreover, within security assistance, the portion that is not programmed into development projects (i.e., used for cash transfers and commodities imports) represents less than 4 percent of all ODA. Hence, the vast majority of security assistance is spent on the very same sectoral development work as development assistance, i.e., health, education, agriculture, environment, governance, and economic growth projects and programs.

b. Case Illustrations

Some of these case illustrations were found in the list of twenty-one projects identified by USAID as having had impact, some from the Impact Evaluation Series, and some from foundations and corporations that have evaluated at the impact level. The purpose of these cases is to identify the shared characteristics of a vast array of projects from both the public and private sectors, so that we can begin to develop the elements of successful assistance programs.

In an overview paper, it is not possible to detail every study that has been done on foreign aid project work. The following specific cases of "success," defined in terms of impact at the "micro" level, will illustrate the types of general approaches to aid work that have had economic and community impact.

Rural Electrification in Bangladesh[95]

The Rural Electrification Program (REP) in Bangladesh started in 1978, through a partnership with the National Rural Electrification Cooperative Association of the United States, funded by USAID. The program is based on the concept of member-owned systems, similar to the rural electric cooperatives that exist in the United States. The effort was designed and carried out as a peer-to-peer effort by the association in the United States and its counterparts in Bangladesh.

The approximate number of persons now benefiting from household connections is 20.5 million. During the last 20 years, the total number of domestic consumers has increased almost 1,200-fold. The estimated average annual growth rate (cumulative of domestic connections) is 42.5 percent. The direct impacts are mostly economic and reflected in enhanced income and employment. The average annual income of households with electricity is 64.5 percent higher than that in the households of non-electrified villages, and 126 percent higher than that in households without electricity in electrified villages. The overall literacy rate was found much higher at 71percent in the households with electricity compared to 54 percent in those without. [96] The average annual income of households with electricity is now 65 percent higher than that of homes without electricity, and industries with electricity generate eleven times more employment than the non-electrified.

The impacts of the REP program, for households, for industry, and for the economy have been significant. The deep knowledge and practical experience of the U.S. partner—a peer organization engaged in operating and managing the very industry that was being created in Bangladesh—provided learning and problem-solving assets that were practical and experienced. Moreover, the REP placed responsibility and authority in the hands of Bangladesh counterparts, including responsibility for evaluation, which ensured that the

lessons learned, positive and negative, would be "owned" by those with long-term responsibility for the cooperative.

Consultative Group on International Agricultural Research (CGIAR)[97]

Founded in 1971 at the initiative of the Rockefeller Foundation, the CGIAR now consists of seventeen autonomous research centers with a Secretariat in the World Bank, an interim Science Council housed in the Food and Agricultural Organization of the United Nations, and partnerships with commercial seed companies around the world. CGIAR research spawned the Green Revolution which, in turn, transformed agricultural economies in Asia from food importers to food exporters. A 2003 World Bank meta-evaluation concluded that the CGIAR's productivity-enhancing research has had sizeable impacts on reducing poverty.

A subsequent World Bank impact evaluation of CGIAR in 2004 suggested that an investment of $150 million a year in germplasm improvement generates more than $1 billion yearly in output. That OED evaluation concluded that the social rates of return to investment in improved cereal crop varieties derived from CGIAR centers are very large, and has had a huge poverty-reducing impact through an increased and more secure food supply, increased employment, reduced prices, and environmental impacts through more diversified and efficient land use. Having trained nearly 50,000 agricultural scientists in developing countries (a third of the total trained), CGIAR has played a key role in the development of the scientific capabilities of developing countries' agricultural systems.

The central premise behind CGIAR was public-private partnership. USAID, for example, was a founding member of CGIAR, but the embodiment of its commitment was not via contracted consultants but via the American system of land-grant universities. U.S. support built direct relationships between developing nation research capacity and the world-class research capacity of American universities. In turn, the faculties of the departments of agriculture of these universities had direct ties into their state departments of agriculture and the Federal Department of Agriculture. The research relationships that developed were not ones of donor and recipient mediated through consulting firms, but directly among a network of agricultural researchers.

Moreover, the flow of information and innovation was between CGIAR research scientists and private industry. Industry could bring innovations from seed research to global production and distribution scale. The genius of CGIAR as a development initiative, therefore, was that it integrated research human capacity horizontally around the world and vertically from research bench to industrial production and distribution.

Ford Foundation: Asset Building and Community Development Program[98]

The Asset Building and Community Development Program of the Ford Foundation aims to reduce poverty and injustice worldwide. It funds grantees to pursue innovative solutions to persistent poverty and inequity, encouraging them to look for ways to

accelerate the diffusion and adoption of effective policies and practices so that large-scale, enduring change is achieved. In search of answers, the Foundation launched an in-depth examination of the Program's grant-making activities that pursued significant scale in an attempt to discern patterns of successful scaling up from its worldwide portfolio. It limited the review to several initiatives that have reached promising scale, each of which relied, at least initially, on a primary pathways to scale that engaged large numbers of people or institutions in new decisions and behaviors.

The development finance field began to take shape in the 1970s through microfinance experiments in Asia and Latin America. The Foundation supported the birth of key development finance institutions—among them the Grameen Bank in Bangladesh. By the late 1990s, commercial microfinance was no longer limited to a small group of scattered institutions. It is a fledgling industry, but a rapidly growing one. In 1997, microcredit practitioners gathered at the Microcredit Summit in Washington and set their sights on raising $21.6 billion in microcredit capital to help more than 100 million poor people.

In the 1970s, the Foundation supported a community forestry project in the Philippines, then expanding later to India, Nepal, Thailand, Indonesia, Bangladesh, and China. It supports a central role for forest-dependent communities in managing local resources and sharing the benefits that flow from those resources. These efforts have helped to increase community ownership of forests to more than 22 percent in developing countries—and the collective power of these forest communities is now finding expression in world forums.

Two of the critical pathways to greater impact included the development of public policies to persuade governments to revise, adopt, and implement laws, regulations, investments, or service. Secondly, by changing power relationships to mobilize low-income people and communities to secure representation and voice in public and private debate, this affected decision-making on subsequent processes that changed their lives.

<u>River Blindness Control and Mectizan Distribution</u>[99]

Transmitted by the bite of the black fly, onchocerciasis (river blindness) is a tropical disease that has caused blindness throughout many areas of Africa and into the Middle East. Whole areas of river-irrigated agricultural land have lain fallow because of the difficulty of controlling black fly infestation and the resulting blinding of the population. In 1985, ivermectin, a product of Merck Pharmaceuticals which had been used for veterinary diseases, entered clinical trials as a potential therapy for human onchocerciasis. It was registered for commercial distribution for that disease in 1987.[100]

In 1987, Merck Pharmaceuticals announced the beginning of the Mectizan Donation Program (MDP) to combat onchocerciasis (river blindness). Merck's contribution includes the production cost of the drug ivermectin, transport costs to the port of entry for recipient countries, and related clearing costs (taxes, duties, tariffs, etc.), although many countries waive customs fees. The donation by Merck served as the catalyst to bring together a public-private partnership, including the World Bank, WHO, USAID, CDC,

the Carter Center, at least twenty private voluntary organizations, community-based distributors—ranging from women's cooperatives to traditional community structures, and ministries of health, social welfare, and agriculture in the recipient countries. In Africa, the MDP was expanded in 1999 to target also lymphatic filariasis. A committee of tropical disease experts, non-voting WHO representatives, CDC representatives, and Merck scientists form the Mectizan Expert Committee, which independently oversees the functions of the MDP.

The distribution of ivermectin has dramatically altered the nature of onchocerciasis control. Economic evaluations of OPC in West Africa have calculated a net present value—equivalent discounted benefits minus discounted costs—of $485 million for the program over a thirty-nine–year period, using a conservative 10 percent rate to discount future health and productivity gains. The net present value of the APOC is calculated at $88 million over a twenty-one–year time period, also using a 10 percent discount rate. Cost-effective analyses of ivermectin distribution have found a cost of $14–$30 per disability-adjusted life-year prevented—estimates comparable with other priority disease control programs. The market value of Merck's donation to the APOC for just one year considerably outweighs the benefits calculated for both the OPC and the APOC over the life of these projects. The OEPA has supported a strategy of biannual ivermectin treatment in the affected countries in the Americas. This has reached at least 85 percent of the targeted populations in endemic countries and may result in the elimination of onchocerciasis in the region.

The key elements of the program have been three-fold. First, the technology was available and readily deployable. Second, broad institutional collaboration and private initiatives were favored. Planning, execution, and evaluation responsibilities have been shared by Merck, international organizations, PVOs (in the United States and in the field), and national authorities. Finally, local organizations with broad span of population access—to women, children, farmers, and tradesmen—became part of the education and distribution solution. A health intervention was not simply implemented by a health system. It became a part of all aspects of the local community.

Assistance in Response to Hurricane Mitch[101]

After Hurricane Mitch struck parts of Honduras, Nicaragua and the Yucatan Peninsula international relief efforts began almost immediately. USAID's efforts in Honduras provided not only immediate relief to the communities affected, but also a sustainable long-term impact. USAID's immediate efforts began with providing $27.8 million in grants to local non-governmental organizations (NGOs) in Honduras which had the capacity to rapidly help those affected with food, clothing, household items, medical attention and other relief supplies. The efforts of the local NGOs also helped construct emergency shelters and assist in the clean up efforts.

However, immediate efforts were unable to assist all the needs of those affected. "Approximately 20 percent of Honduran families could not get enough food when the storm had passed. Many of these people were also facing homelessness."[102] In order to

address both the immediate basic needs and long-term economic needs of these people USAID financed the Food-For-Work program, which provided support for the clean-up and reconstruction efforts to rehabilitation of the local infrastructure including roads, public buildings, and water and sanitation systems. USAID funding of $42 million was primarily given to CARE, Catholic Relief Services, and the World Food Program, which districted out the country based on each municipality to avoid the duplication of efforts. Furthermore, each other these organizations worked with local leaders and NGOs to determine how to develop the Food-For-Work program and prioritize the needs of those affected.

The result of the Hurricane Mitch humanitarian and disaster relief aid exemplifies how immediate aid can result in a long-term sustainable impact. Construction efforts have provided 6,100 permanent housing structures, repaired 123 damaged health centers, re-equipped eighty-one rural clinics, built over 1,100 water systems and 22,000 latrines serving 400,000 people, and built and/or repaired 1,282 classrooms serving 38,000 students. Economic regeneration efforts had a significantly positive effect on the long-term conditions of those affect. An extension of $40 million in credit for agricultural reactivation through commercial banks and cooperatives created over 1,900 fulltime jobs, increased sales of agricultural products by $17.4 million. While, technology transfers of $18.3 million increased the income of 28,000 small agriculture producers. Most importantly, the local and national governments have restructured themselves to better handle future natural disasters. Several of the municipalities have formed emergency committees, which have developed emergency plans and trained 4,665 people from 250 municipalities trained in disaster preparedness, mitigation and emergency planning.

Health Partnerships Program[103]

The Health Partnership Program of Central and Eastern Europe, subsequently expanded to Russia, was designed to be demand-driven, to foster hospital partnerships between American hospitals and their peers in the region to respond to critical epidemiological issues or hospital management problems that the peer hospitals identified as of priority. The mode of action was the development of direct partnership relationships between participating hospitals, without the intermediation of consulting firms or contractors. The underlying principle of partnership was voluntarism. Rather than paying consultants, the professionals in the partner hospitals worked together without compensation, and only travel and per diems were reimbursed. The in-kind contributions from U.S. hospitals that these partnerships also leveraged almost doubled in value the resources supplied by USAID.

A January 2007 evaluation of the program found that better health was achieved for some 1.5 million people in eleven countries. Mortality and long-term disability declined in the partnership case sites, particularly from cervical and breast cancer, hypertension, neonatal and perinatal conditions, and occupational injuries.

For all CEE partnerships evaluated, the experience brought structural change to established CEE institutions. Patient-center care was introduced in hospitals, NGOs were

founded to divest local governments of social care, health management education programs were established, and advanced degrees in management offered in medical schools. Finally, success at the institutional level was leveraged to create system-wide impact. As a result of the partnerships, significant legislative and policy initiatives were undertaken. For instance, in Slovakia, laws have been passed that designate drug use and domestic violence as crimes and prohibit smoking in public buildings. And Romania was successful in getting a law passed requiring sexually transmitted infectious testing for pregnant women.

The central organizing principles of the Partnerships Program—problem identification driven by the definition of need of countries not consultants, voluntary relationships among professional peers, and resource leverage—have resulted in the vast majority of programs being sustained and many being replicated.

Foreign Academic Training: Producing New Leaders[104]

Donors have long used advanced academic training (usually in the universities of the donor country) as a means of promoting development in poor countries. Such programs, called "participatory training" by USAID, have always been a significant feature of US development assistance. Most USAID professionals regard these programs as one of the most successful areas of activity, an assessment generally based on the observation that earlier participants have moved into key positions in government, often becoming the most effective interlocutors between the foreign aid agency and the host government.

Since U.S. foreign aid began in 1949, it has funded participant training to perhaps 350,000 people from developing countries. In some cases, the cohort of U.S.-trained professionals represented a critical mass of capacity. For example, one 1990 evaluation looked at the educational backgrounds of 411 senior officials of the Thai government and found that 162 of them, or nearly 40 percent, had been trained under the USAID program.

Perhaps the most positive example of outcomes was found in a 1995 country-case study of Chile. In the late 1950s (via USAID predecessor agencies) and early 1960s, Chilean economists were trained at the University of Chicago. These economists later presided over the development of the "Chilean model" of development, important aspects of which were adopted by other Latin American governments in the 1990s. This project had several key features. First, participants' academic mentors were of an unusual stature: three (Milton Friedman, George Stigler, and Theodore Schultz) later won Nobel prizes in economics. Second, the program's goal was not to train economic policymakers but to develop a strong academic economics department at the Catholic University of Chile. Like their U.S. mentors, the Chilean participants (later referred to as the "Chicago boys") expected their influence to come through the quality of their economics research and teaching. It was only in the mid-1970s that an accident of politics thrust them into a policymaking role.

Democracy Building: Results of a Cross National Quantitative Study[105]

There have been limited quantitative data on the results of democracy building efforts by USAID. This study, which covered the period from 1990 through 2003, looked at USAID assistance in four sub-sectors of democracy: elections and political processes; rule of law; civil society; and governance. Country improvements in these areas reflected the importance of local ownership and individual initiative as citizens developed party platforms, ran for offices and freely elected public officials. Training by USAID in the rule of law and good governance resulted in a more competent and empowered leadership able to create a policy framework to support economic and political growth. These programs also resulted in lasting changes in local institutions.

The study determined that among the countries surveyed, USAID democracy assistance had been steadily increasing since 1990, and democracy measures were also steadily improving during the same time period. Regardless of this overall improvement, however, the gap between the advanced democracies and the developing democracies was still large. Finally, the study concluded that the total portfolio of USAID democracy assistance, despite its growth, remains a relatively small proportion of total U. S. development assistance.

How much of this growth has been the result of U.S. foreign assistance? Using control variables to remove a range of alternative explanations for democracy growth, the study found positive impacts of foreign assistance on democratization. Using the most widely measures of democracy from Freedom House and Polity IV, it was determined that USAID democracy and governance expenditures had a significant impact on these measures. Other U.S. assistance variables were found to be statistically insignificant.

Illustrations of Failures[106]

One can, of course, learn much from failure as well as from success. There are few development efforts that do not have some component of failure or at least encounter a few bumps along the path to success. Evaluation within USAID points out some of the consequent lessons to be learned in the following illustrative sample of profiles of failed programs or failed components of projects.

A review of nine capital projects aimed at infrastructure in Egypt showed mixed performance with low to medium financial and economic returns. Although the projects were found to be well designed, poor performance was traceable to poor government policies in the area of price controls, regulations, subsidies, and employment. The evaluation noted that "in a bad policy environment, even technically sound projects cannot generate a good rate of return."

A review of eleven integrated rural development projects in Asia, Africa, and Latin America showed that, during implementation, the benefits did not reach the needy. Projects were hampered by unwieldy public bureaucracies, inflexible project design, inappropriate national economic policies, and poor coordination among participating agencies. The evaluation summary concludes that projects should be designed to

“minimize coordination requirements, while maximizing the use of private sector firms to provide services.”

Six country case studies of child survival programs (Bolivia, Egypt, Haiti, Indonesia, Malawi, and Morocco) indicate that, while USAID has been successful at institution building in these programs, impacts in nutrition, water and sanitation, and acute respiratory infection were unclear and the impact of oral rehydration has been disappointing. Sustainability is also a problem. Policy dialogue had been moderately successful but had not led to increased government budget commitments for the programs. The “eclectic” approach to program management—involving mixtures of outside contractors, direct hires, university fellows and various U.S. agencies—led to confusion. Combined with USAID’s own complex administrative procedures, the result was “long delays, wasted resources, and strained relationships.”

A similar evaluation concentrating on Malawi underscored the fact that a shortage of trained local human resources “severely limits” the quality and quantity of child survival services.

A review of 203 agricultural credit, input, and marketing projects revealed that a majority fell short of their potential. Credit projects particularly failed if they were “implemented in a hostile policy environment or…included interest rates which were arbitrary or not dictated by the marketplace.” While public sector participation was critical where policy change was important, public/private efforts were essential when projects required both political support and responsive management, and dominantly private sector delivery mechanisms were most effective when responsive management and farmer contact were both essential.

c. A Note on Humanitarian and Disaster Relief

While the timeframe and the nature of programs are different in humanitarian and disaster relief initiatives, these programs also illustrate characteristics of success that are shared by development projects.

Critical elements include inter-agency collaboration within the U.S. effort, and close international collaboration among responders. This is particularly true when events are rapidly unfolding and changing, and information is poor, and NGO and government efforts can thus be either inappropriate or duplicative. Coordination is also critical in media relations. No matter how well things are going, the press tendency is to highlight problems. A single, shared strategy for communications to the public is also an important element of communicating success to the world.

According to the Tsunami Evaluation Coalition (TEC), learning from the lessons of the 2004 tsunami is fundamental to the success of disaster relief efforts but are lessons which also apply to development. These recommendations include a fundamental reorientation of disaster aid from supplying aid to supporting and facilitating communities’ own relief and recovery priorities, a need to increase response capacities and improve the linkages

and coherence between actors, and a call for all actors to make the current funding system impartial and more efficient, flexible, transparent and better aligned with principles of good donorship.[107]

Furthermore, the Fritz Institute confirms the TEC's recommendations also placing importance on local capacity and preparedness, giving a voice to those affected, and suggesting that coordination is key to relief efforts.[108]

As in other areas of development, leadership matters. For U.S. programs, constant and committed leadership at the highest levels in the field sets tone and ensures that decisions are made and embodied in action. In Pakistan, for example, the ambassador spearheaded an effort with a 24/7 strategy and involved all elements of U.S. responsibilities, thus minimizing bureaucratic "turfs" and procedures in the pursuit of a single humanitarian objective.[109]

Other disaster aid evaluation studies that focus on the Pakistani earthquake and Hurricane Katrina conducted by the Fritz Institute further emphasize the shared characteristics of development aid effectiveness. The Fritz Institute found that in both disasters, the national government and local actors played the largest role in coordination efforts, while local organizations should have had the most capacity to assist their communities.[110] In any disaster setting, the "impact" is not just relief, it is successfully transitioning from relief to reconstruction. It is local and national leadership that must be the fulcrum for reconstruction. In Pakistan, local and national governments are not just physically reconstructing infrastructure, but providing training so that local residents can take the jobs of masons and plumbers, and so that reconstruction can become the platform for continued employment, private investment, and economic recovery.[111]

d. Conclusions

While there are clearly lessons learned from both development and humanitarian efforts, however, there is some evidence that case studies of impact, and even information on the outcomes of development assistance projects, only episodically informs and influences broader USAID program strategies. Results of studies often remain "on the shelf." Once the assessment is filed with the Development Experience Clearinghouse, the task is complete and program officers and staff can move on to other endeavors. This is not unique to USAID. Evaluation in many organizations is a box to be checked before the file is closed, rather than a means to learn and, as importantly, to adjust organizational strategy and tactics to increase return on investment. Knowledge management with a goal to developing a learning organization and, in turn, demonstrating increasing impact over time is generally not institutionalized in USAID.

Recent unpublished work by Easterly seems to confirm that, by and large, aid agencies do not internalize their experiences, new knowledge, or political changes.[112] Indeed, former World Bank economist Elliot Berg argues that no amount of tinkering with or learning from past ways of doing things will make development assistance "work." The flaw in development assistance, he argues, is so fundamental that an entirely new

paradigm is needed which turns foreign assistance on its head, and places the opportunity (and responsibility) for initiative at the level of the sovereign partner and its constituent communities not at the level of the "donor."[113]

5. What Are the Shared Characteristics of Successes?

That skepticism having been admitted, is there some generalization to be made about the nature of either the problems, or the solutions, or the processes that are common to successes? The evaluations of USAID and those of other donors over time have revealed several characteristics that commonly accompany success.

The following summary is based not only on the work of USAID and private sector donors in the more detailed illustrations discussed above, but also on the fairly extensive literature on such major program successes as the eradication of smallpox, the Green Revolution, and the use of oral rehydration salts.

Before proceeding, three caveats are in order. First, all characteristics would be present in an optimal project or program. In reality, resources and circumstances create projects and programs that give some characteristics more emphasis than others. There are many combinations and permutations possible for characteristics of success in any particular program. The illustrations provided here are exhaustive neither of the combinations nor of the possible program examples. They serve only to highlight and concretize the importance of each characteristic.

Second, the illustrations are bounded by the limitations of time in any assistance endeavor. Many problems of development are generational in their origins and can be generational in their solutions. The benefits of the Green Revolution took many years in their journey from laboratory to the family rice bowl. The timeframe for evidence of the importance of a characteristic to "success" can be long indeed. The illustrations provided encompass the experiences of USAID in project work, and must be seen in the context of such timeframes. A generation from now and with the hindsight of longer history, additional factors may prove important. But improving how development assistance operates is an immediate need. It must accommodate the wisdom of history, but seek to improve on the basis of what is known.

Third, luck matters. The world is probabilistic not mechanistic. Good outcomes can occur by being in the right place at the right time. Still, while it is always beneficial to be lucky, hope is not a strategy. Planned and purposeful effort can increase chances of success.

a. Ownership and Initiative Must Be Local

The involvement of local institutions as fundamental partners, not as a consequence of foreign assistance but as its premise, is increasingly acknowledged. Having programs and project initiatives that are "demand driven," i.e., that are conceived by and represent the priorities of the partner institutions, is critical for long-term success, and can, indeed,

lead to the continuation of institutional relationships between American and partner leaders and institutions long after the end of USAID funding. The evaluation of the Hospital Partnerships Program in nations of the former Soviet system emphasizes this point. The nature of the partnerships was demand-driven, reflecting not what USAID considered to be the most important focus of a relationship between U.S. hospitals and their overseas counterparts, but what the Eastern European and Russian hospitals believed to be their most important problems that were amenable to U.S. partnership. At times, this increased the scope of the disease focus of USAID, introducing partnerships in chronic disease and accidents rather than infections disease, for example. But the scope reflected the self-identified needs of the partners, and hence provided a stable platform for their continued collaboration (albeit not in all cases), even after USAID's financial presence was ended. As result, many partnerships continue, and evaluations show that the skills and systems developed by the partner medical community have permanently improved both care and outcomes.[114]

Similarly, CGIAR, the Mectizen program, the Ford Foundation's involvement in microfinance, and the Bangladesh electrification program all placed the partner communities and countries at the center of decision-making.

The importance of local ownership is also underscored in the work of Commissioner Sachs' Millennium Villages project. The project is premised on the need for development to reflect the desires and commitments of communities themselves. The outside commitment of $250 per person over five years represents practical help, but responsibility for the future remains with the village communities themselves.[115]

But ownership is not just a matter of institutions. It is also a matter of individuals. Long-term success requires that communities and their individual members be party to change, and that programs and projects empower individuals to act on their aspirations in their own self-interest and seeking their own self-reliance.

Again, Commissioner Sachs' Millennium Village project places responsibility and authority directly on the shoulders of the community members who will benefit from the progress but must also ensure sustainability.

The collective approach to Bangladesh rural electrification also makes this point. Access to electric power is first expressed by an individual, then collectively ramped up through his/her membership in a cooperative where they vote on expenditures of mutual benefit. Whereas they had individual voices before, they now had a collective voice to express their views in the marketplace.

Even where foreign assistance has not been a financing element, the importance of individual initiative to sustained impact can be found. In 1996, the Secretariat of Health, Municipal Government of Sao Paulo, Brazil divided the city into fourteen cooperatives and began a process of shifting responsibility for organizational management and the provision of care to the providers who made up these cooperatives, while introducing capitation and "risk-sharing" as the new financial model of prospective payment. The

Secretariat then took the public health budget and worked out a capitation rate of $10.95 per person per month for use by each of the fourteen cooperatives. In total, they would serve 5 million of Sao Paulo's poorest citizens. Each cooperative could select its own president, manage its own budget, reward staff within that budget, hire and fire staff, and issue its own procurements. Public health staff that transferred from the public system to the new system received a salary at a rate 3–4 times their previous income. In return, the Secretariat had only one requirement for public physicians accepting his offer: they had to work.

Two years after services began, the Secretariat contracted with Harvard Medical International (HMI) for the conduct of a snapshot evaluation. Preliminary data suggested the growing utilization and enhanced efficiency of the system with patient encounters increasing while the number of providers decreased. Without abrogating its fiduciary responsibility for the provision of care, prospective capitated payment, decentralized management, profit and risk sharing had energized the providers into beginning to take ownership for both the quality and cost of care.[116]

b. Partnership Is the Premise

Collaboration between American and developing country institutions, especially private institutions, is essential for sustained engagement that brings benefits valued by all. Pushing donor money onto recipients will disburse the money, but it will not lead to stable programs or long-term results. When both parties—the United States and the developing nation—engage in full collaboration in defining the substance of their collaboration, designing the initiatives, and, importantly, jointly funding its implementation, both will be committed to success. In a partnership, it is not just funding that is mutual, it is also accountability. This is the power of the premise. U.S. money is not the first dollar on the program table, it is the second or third or fourth, after partners are also committed. When everyone is committed to a commonly help priority and everyone has invested, everyone is accountable for results. This is true partnership, and, with mutual accountability, comes sustainability.

The experiences of CGIAR and the Merck-led effort to control river blindness emphasize that innovative, robust partnerships of responsibility and accountability involving private and public leadership is key to long-term success and resource leverage. A central element of partnership is that partners are not donors or supplicants; they are not collaborating because they are paid to collaborate. They are peers, voluntarily working together based on a shared set of incentives and a shared view of potential benefit. The Hospital Partnerships program and CGIAR teach this lesson. Sustained relationships between U.S. aid and its counterpart nations and developing institutions comes from the shared capabilities and shared respect of peers who engage one another out of shared mutual interests.

c. Technology Adaptation and Adoption Matter

Some of the most widely acknowledged foreign assistance successes have, at their core, the application of technologies to improve the human condition. The story of the Green Revolution and the doubling of food production in developing countries is a classic example. The seventeen CGIAR research centers are located in geographical areas of the developing world where food shortages exist or once existed. Technical staff is for the most part from in-country institutions and they concentrate research activities on local crop varieties. Then, when scientific breakthroughs are made, they are quickly adopted by state and regional agricultural authorities and disseminated downward to the individual farm level. What characterized success was not always a breakthrough, but consistent application of a known solution. Bednets for malaria, vaccines for smallpox and polio, oral rehydration salts for diarrhea, contraceptives for family planning, the Grameen Bank's adaptation of "smart cards" for business loans without a bank account in poor areas, are all innovations that led not only to improvements in individual human condition, but also, over time and with many other factors, to improved economic condition.

The potential for technology partnerships within foreign assistance is growing more powerful. Technology itself is becoming more and more a common part of daily life even in poor nations. More importantly, the scientific and technological capacity of developing nations is growing. The African Laser Centre, for example, is a virtual organization of scientists from across Africa working on, among other things, a laser-guided means for assessing the condition of crops.[117] Veterinary science, climate research, work on sickle-cell anemia are all advanced in developing nations and provide opportunities for partnerships with American capacity.

The local environment in which the technology is used is hugely important because technology without behavior is powerless. This is an additional reason why ownership must be local. Bednets unused will not prevent malaria. Vaccines without refrigerators will not immunize. Contraceptives without knowledge of the family and economic benefits of spacing children will not be taken. Oral rehydration salts left to molder on the port dock will not prevent anything. Still, many of development successes have had technology, especially simple and inexpensive technology, as an important trigger.

d. Leaders and Policy Must Drive Toward Self-Reliance

As the Canadian Parliament's assessment of its foreign assistance has emphasized, the solutions for the future of developing nations will come not from outside of but from within those nations. The leaders of developing nations, and the policies they initiate and support, must be the engines of change. Leadership and policy competence is a pre-requisite for successful foreign aid programs.

For decades, USAID has supported the training of future leaders of developing nations, both private and public. The importance of the resulting cadre of leaders is striking around the world. The USAID-supported Hospital Partnerships Program and electrification effort in Bangladesh attracted and empowered local leadership to identify and solve locally-defined problems. Competence, integrity and commitment are essential

elements in the local leadership with whom USAID partners and in by whose hands resources are managed.

Supportive policy is a pre-requisite to economic growth and to the effectiveness of foreign assistance. Where policy within countries constrains private initiative, partnership approaches, or open economies, foreign assistance can provide no real value. An examination of USAID trade capacity building programs in 104 countries, for example, found that, without proper policies—including domestic prices, market conditions, regulatory environment, and physical infrastructure, such programs often fail. Economic policy reform is a prerequisite to successful trade support.

Commissioner Sachs, as noted earlier, emphasizes this point in finding that it was policy variables that were the most important differentiating factors in the growth of nations in East and Southeast Asia and in China.

The danger of consistent commitments, of course, is that they may not end, and, therefore, create more dependency than development. In the late 1950s, the World Bank pursued "strategic nonlending" which was the withdrawal of funds, or the threat of withdrawal, to affect policies and practices that were essential for economic growth. USAID has also used this strategy to ensure that dependency is not the result of assistance, most dramatically in Korea in the early 1960s. History teaches that the end of aid, or its reduction, can also lead to more out-ward looking policies on the part of partner governments, and hence to material advance and poverty reduction. In his April 1963 message to Congress, President John F. Kennedy noted the importance of the "sunset clause" in foreign assistance: "Both this nation and the countries we help have a stake in their reaching the point of self-sustaining growth….when their economies will have been launched with sufficient momentum to enable them to become self-supporting….The record clearly shows that foreign aid is not an endless or unchanging process."[118]

e. Continual Information Loops Contribute to Learning and Adjustment

Success results from a continual process, not a particular event. Successful initiatives have internal learning loops. Changes in condition, insights into what is working and what is failing, the constant taking of a program's pulse and, necessarily, readjustment to the flow of consequent knowledge and information are essential to success. This is the role of evaluation at its best, a mechanism to constantly inform program managers and guide the adjustment of an initiative to changing conditions. When it is imbued with the partnership philosophy noted above, it can be particularly powerful. The Equity and Growth through Economic Research project, implemented by a consortium of U.S. and African research organizations and sponsored by USAID, for example, helped both USAID and the Government of Madagascar understand why price liberalization strategies were not producing anticipated increases in rice production by farmers and therefore adjust program efforts.[119]

The Mectizan and CGIAR programs were heavily reliant on continued information feedback from the field to sponsoring organizations, with resultant continued adjustment in program strategies.

The underdeveloped state of evaluation in development in general, and the specific failure of evaluation (where present) to continually inform program decision-making is a particular weakness of foreign assistance. The best evaluation systems are not simply tasks that result in reports. They are continual feedback loops that move real-time information to managers so that programs can be constantly adjusted to improve performance over the life of the effort.

f. Summary

If there is a rubric for all of these characteristics, a "brand," if you will, that unites them all as a single principle, that rubric is partnership. All of these characteristics reflect an approach to development that rejects the "donor-recipient" relationship. They are not relationships between those with money and the supplicants for money. They are not relationships between "haves" and "have nots." They reflect relationships, and the project and program embodiment of relationships, among *peers*, where priorities are mutual, effort is mutual, and accountability is mutual. At its best, foreign assistance funds relationships between peers, creating opportunities for peer individuals and institutions to forge mutually beneficial collaborations that will last far beyond the lifetime of the assistance itself.

6. A World of Change

Of course, what is known from the past is only useful in so far as it will be able guide action in the future. If that future is itself changing, then lessons from the past may not teach simple truths.

Hence, the trajectory of economic, demographic, and social change in the developing world is tremendously important in determining how to utilize past knowledge to optimize future action.

a. Anticipating a Changing Economic and Social Context

In looking forward, it is important to recognize that the world has changed mightily since the 1960–1970 period of U.S. foreign assistance initiation. Moreover, the existing momentum of change promises to carry developing countries even farther forward in the next fifteen years. Hence, the world that any organizational change in U.S. foreign assistance will face in 2020 will certainly be quite different than the world that gave birth to USAID forty years ago.

Viewed from the proverbial 30,000 foot level, the "less developed" world has undergone remarkable change since the 1970s, and is poised for further evolution in the decades immediately ahead.

Demographically, fertility in the less developed regions (as measured by the "total fertility rate", the number of births per woman per lifetime) is estimated to have declined by 44 percent between the early 1970s and the early years of the current decade (1970/75 to 2000/05, and over the next two decades, median variant UN Population Division projections, further steady declines may be expected.[120]

Between 1975 and 2005, the proportion of the population under the age of five years in the less developed regions declined by nearly a third, from over 15 percent to under 11 percent, and is projected to drop below 9 percent by 2025, whereas the fraction over age 60 is projected to reach 13 percent, up from 8 percent in 2005 and just 6 percent in 1975.

Infant mortality in the less developed regions declined by two-fifths over the past three decades, and is projected to fall by almost another third in the coming two decades (2000/05 to 2020/25) Over the next two decades, child mortality is envisioned as falling by nearly a third (from 88 per 1,000 in 2000/05 to 6 per 1,000 in 2020/25) and life expectancy is projected to continue its increase, reaching an average nearly seventy years by 2020/25.

Economically, the story is similar. The percentage of people in developing countries living on less than $2 per day dropped by over 10 percent from 1990–2002 and will decline by almost another 20 percent by 2015.[121] The pattern is similar for the world's poorest; by 2015 only 10 percent of the world's population will be living on less than $1 per day. This is a direct result of strong real GDP and real DGP per capita growth in developing countries. Real GDP growth has been consistently higher in developing countries than developed countries over the past three decades. Since the late 1990s, GDP per capita growth rates have eclipsed those of developed countries as well. Despite an overall slowing in global GDP and GDP per capita growth rates, this trend looks set to continue.

That picture of change for the developing world as a whole, however, misses the subtlety of change. The U.N. distinguishes between "least" and "less" developed nations. For example, "least" developed include countries such as Haiti, Chad, and Somalia. The nations in this category are predominantly, but not exclusively, in Africa. "Less" developed nations, such as the Philippines, Egypt, and Costa Rica, are nations whose growth and development are proceeding toward achievement of the Millennium Development Goals. Viewed through this optic, in many ways and on many demographic and health indicators, the developing world is bifurcating into a group of nations making, and likely to continue to make, considerable progress and a much smaller group that risks stagnation.

Demographics

The total population in less developed countries is projected to rise by nearly 140 percent in the half century between 1970 and 2020, and by 30 percent in the 2000–2020 period alone, but by far the fastest pace of population growth is expected for the countries in the

"least developed" category.[122] In 1970, these least developed nations represented 12 percent of the population of the developing world (316 million out of 2,690 million). By 2020, a half a century later, medium variant projections envision this share rising to 17 percent (1,075 million out of 6,413 million) of the developing world.

Even so: this would mean that in 2020, as today, the overwhelming majority of the population of the less developed regions will be living *outside* the least developed countries. The population of these "less developed but not least developed" regions is expected to comprise roughly five-sixths of the total population of the developing world—a projected 5.3 billion in 2020, or 70 percent of projected total world population in that year., For analytical purposes it is essential to distinguish the demographic outlook for the least developed countries from the remainder of the developing regions (i.e., "less minus least").

In the vast expanse of countries encompassed within "the less developed minus the least developed" grouping, fertility levels have already fallen dramatically: indeed, by UNDP estimates, overall fertility levels for this amalgam had already completed nearly nine-tenths of the decline necessary to reach net-replacement fertility in the three decades between 1970/75 and 2000/05. By 2020/25, overall fertility in the "less minus least" grouping is projected (UNDP medium variant) to fall below the replacement level.

By contrast, fertility levels in the least developed nations are currently over two births per woman higher than in the rest of the developing world (estimated TFR in 2000/05 of 5.0 vs. 2.6)—and while least developed county fertility is projected to decline as well in the coming decades, levels are anticipated to remain substantially higher than elsewhere. For 2020/25, for example, UNPD medium variant projections put TFRs for the least developed countries nearly three-fourths higher than those for the rest of the developing world (3.7 vs. 2.1). Looking geographically, the strikingly divergent region with respect to fertility in the years ahead stands to be sub-Saharan Africa (most of whose countries are categorized as least developed). Two decades hence, TFRs for the sub-Saharan region are projected to remain close to 4 births per woman per lifetime. By contrast, by 2020/25 both East Asia and the Latin America/Caribbean are projected to be sub-replacement regions.

Current and impending fertility trends will force changes in demographic structures for the developing countries: the most important point being that, *ceteris paribus,* fertility decline makes population structures "grayer." In the years immediately ahead we can expect to see a pronounced aging of population profiles for the "less minus least" grouping, where the fraction of children is projected to decline significantly and the share of older people is expected to rise steadily. (While the direction of change is similar in least developed nations, the transition from a predominantly youthful population structure to an older population structure is projected to take place decades later for this grouping.)

Consequently a growing divergence in the population profiles of the least developed and the rest of the developing regions is expected in the decades just ahead. Whereas the difference in median age between these two groupings amounted to about six years in

2005 (twenty-five versus nineteen years), it is expected to widen to nearly eleven years by 2025 (thirty-three versus twenty-two years). By 2020, UNPD medium variant projections anticipate that the number of seniors sixty-five years and older will for the first time have surpassed the number of children under five years of age in the "less minus least" grouping. By contrast, in the least developed regions, current projections for 2020 suggest there will still be over 3.5 children under five for every person sixty-five or older.

With changes in overall population structure come attendant changes in the composition of the "dependent" population, and in "dependency ratios."[123] In the least developed nations, the non-working-age population will continue to be dominated by the very young: in 2020, by medium variant projections, children under the age of fifteen will still represent 90 percent of the dependent-age population. But in the "less developed minus the least developed" grouping, the composition of the non-working-age population will increasingly be influenced by the old. Whereas the "less minus least" grouping had five children under fifteen for every person sixty-five or older in the year 2000, the ratio is projected to drop to 3 to 1 by 2020, and to 2.5 to 1 by 2025. This is a critical change, not least because it has profound cost implications. In industrialized nations, the public cost of payments for the elderly, on a per capita basis, typically tend to be several times higher than for children and youth due to the higher costs of health care and other social payments to the elderly. Analogously, one can anticipate that, in the fairly immediate future, much of the developing world will need to begin addressing the social price tag of its aging population.

Another way of looking at this trend is in terms of the "dependency ratio": the number of people (young and old) are outside of the conventionally defined working ages relative to number of people in the conventionally defined working ages (fifty to sixty-four). The dependency ratio provides an indication of the degree to which those in working ages may be expected to support those not in working ages. As of today (2005), dependency ratios are much higher in the least developed countries than in the rest of the less developed world (81:100 vs. 54:100). Although dependency ratios are projected to decline for both groupings of developing countries over the coming two decades, dependency ratios are expected to remain much higher in the least developed countries than in the rest of the developing world (for 2025, 68 vs. 49). If there is a "demographic dividend" to be had in the coming decades (i.e. a positive potential impact of age structures on prospects for development and growth) it is the "less minus least" grouping that would seem to be most favorably positioned for "cashing in" on it: by 2025, the "less minus least" groping is projected to have a lower overall dependency ratio than either the least developed countries or the more developed countries. By 2030, dependency ratios for the "less minus least" grouping are envisioned to rise again: but when they rise this time, however, the increase will be driven by a growing share of elderly persons in the population, attendant implications for the costs of social support.

Additional developmental texture to these evolving demographic profiles may be gleaned from trends on nutrition and education for the low-income regions.

Although data on malnutrition and under-nutrition in low-income societies must be treated with some care, there is wide consensus among specialists that the overall incidence of under-nutrition in low-income areas has diminished substantially over the past several decades. By the estimates of the UN Food and Agriculture Organization (FAO), for example, the prevalence of undernourishment in the developing areas as a whole dropped from 29 percent in 1979/81 to 18 percent in 1995/97, declining to 17 percent by 2000/02.[124] Progress against malnutrition, however, has been highly uneven within the less developed regions: by the start of the new century, the incidence of under-nutrition was down to en estimated 10 percent in the Latin America/Caribbean and the Near East/North Africa regions, and 11 percent and 13 percent in the East Asia and Southeast Asia regions, respectively, it was placed at 33 percent for sub-Saharan Africa. Indeed: between 1979/81 and 2000/02 sub-Saharan Africa is thought to have made scant inroads against under-nutrition, while most of the rest of the developing world was limiting the reach of hunger. Thus, whereas the incidence of under-nutrition was estimated to be roughly equivalent a generation ago (1979/81) in South Asia and the sub-Saharan (38 percent vs. 37 percent), South Asia is markedly better off nowadays (with an estimated prevalence of under-nutrition in 2000/02 of 22 percent, vs. sub-Saharan Africa's 33 percent). If measured in terms of the percentage of children, Africa has made almost no progress in reducing the percentage of children who are underweight in recent decades, while all other low-income regions can point to significant progress. Tentative as they must be, some projections suggest South Asia may nearly halve its percentage of underweight children between 2000 and 2020. Latin America's prevalence of underweight among children, it is worth noting, is now estimated to lie in the single digits.[125]

With respect to educational attainment, significant advances have been registered throughout the developing regions over the past several decades. Estimates by Barro and Lee on mean years of schooling for the adult population over the years 1960-2000 make the point.[126] Between 1960 and 2000, by these estimates, mean years of education for the population of 73 developing countries assayed rose from 2 years to 5 years; the estimated proportion of adult population with no schooling fell from 64 percent to 34 percent. Advances in education within the developing regions were uneven. By 2000, in Barro and Lee's estimates, mean adult years of schooling in Latin America had reached 6 years, and in East Asia was approaching 7 years—as opposed to the nearly 10 years of mean adult schooling in what they call the "advanced countries". On the other hand, mean adult educational attainment in 2000 for the sub-Sahara was put at just 3.5 years. Barro and Lee's estimates, incidentally, point to a notable expansion in higher education throughout the low income regions: by 2000, their calculations suggest that one in sixteen adults in low-income areas overall had some tertiary education, with the corresponding fractions for Latin America and East Asia reaching roughly one adult in nine (one in forty for the sub-Sahara). Looking forward, Lutz and Goujon of the International Institute of Applied Systems Analysis (IIASA) have projected trends in regional educational attainments to the year 2030.[127] While they recognize their calculations are sensitive to a number of assumptions (not the least of these being the appetite for higher education), their numbers are nonetheless informative. By these projections, the proportion of adults in developing regions ages 15 and older with no education whatever would drop from

about 34 percent in 2000 to around 15 percent in 2030, while the share with some tertiary education would rise from roughly 5 percent today to between 6 percent and 14 percent in 2030. In these projections, educational attainment would still lag in sub-Saharan Africa, although every region of the developing world would have more trained manpower (relatively and absolutely) than today.

Improving nutritional and educational profiles presage longer lives and better health. Although demographic projections anticipate improvements in life expectancy for all of the developing regions, life expectancy is nonetheless expected to remain substantially lower in the least developed regions than in the rest of the developing world for the next two decades. In the years 2000/05, life expectancy for the least developed countries averaged an estimated fifty-three years at birth, and is projected to rise to just sixty years by 2020/25. By contrast, life expectancy in the rest of the developing world averaged about sixty-eight years in 2000/05, and is projected to rise to seventy-two years by 2020/25. By 2020/25, current projections anticipate life expectancy in the Latin America/Caribbean and the Eastern Asia regions region to be within three years of the more developed regions, and life expectancy for India is seen as pulling within nine years of the average for the more developed regions. On the other hand, life expectancy in sub-Saharan Africa is expected to lag below the more developed regions by nearly a quarter century (fifty-six vs. seventy-nine years). The impact of the HIV/AIDS epidemic in Africa is grimly reflected in these projections: the sub-Saharan region as a whole is estimated to have suffered stagnating or declining life expectancy between the late 1980s and the beginning of the current decade—and life expectancy for the 2005/10 period is projected to be only marginally higher than two decades earlier. The sub-Saharan region is expected to return to an upward trend in life expectancy in the decades ahead, but is not envisioned as "catching up" or fully recovering from the effects of its HIV/AIDS catastrophe in the timeframe covered by these projections.

Economic Progress

When the developing world is disaggregated and projections are made, it becomes obvious that growth and progress have not and will not proceed evenly.[128] The least developed countries continue to struggle, with the majority, located in Sub-Saharan Africa, still largely isolated from the global economy, much as for previous decades.

When we revisit our poverty figures, this dichotomy becomes apparent.

By World Bank estimates, as of 2001 roughly 46 percent of the population in Sub-Saharan Africa currently was living on less than $1 per day, a full 15 percentage points higher than any other region of the world. The poverty levels in sub-Saharan Africa have been declining slowly relative to other regions, and are expected to continue to lag. By 2015 the gap between Africa and South Asia, the closest region in terms of the percentage of people living on $1 per day, is currently projected widen to 25 percentage points. Nearly 38 percent of Africa's population is expected to remain in this category of extreme poverty by 2015. By contrast for the rest of the developing regions, the

incidence of extreme poverty—set against the $1 per day benchmark—is projected to drop from 15 percent in 2001 to 4 percent in 2015.[129]

What is going wrong? Countries in Sub-Saharan Africa, and the other least developed countries, have in effect been separated from the global economy: they have not yet benefited appreciably from international trade or investment, and are expected to remain isolated in the coming years. The growth in exports, imports, and the associated increase in foreign currency reserves have been almost exponential in many developing countries, but the least developed countries have seen little growth here as yet The picture for direct foreign investment is similar.

Long-term economic projections are hazardous, for obvious reasons. Nevertheless, one eminent student of the modern global economy, the economic historian Angus Maddison, has recently hazarded projections for over 200 countries and territories for the period 2003-2030.[130] Maddison's projections are consistent with the other soundings we have adduced about an ongoing, and perhaps continuing, differentiation between the prospects of the least developed countries and the rest of the developing regions. By Maddison's projections, he developing regions as a whole ("the rest of the world", in his taxonomy), stands to increase its per capita output by about 120 percent between 2003 and 2030, implying an average annual per capita growth rate of about 3 percent. By contrast, Maddison envisions a per capita growth rate for all of Africa (including North Africa) of just 1 percent per year over that same period. By such projections, Africa would fall even further behind the rest of the developing regions, both relatively and absolutely: whereas Africa's per capita income would have been roughly 68 percent of the level for the developing regions as a whole as of 1973, and 40 percent as of 2003, it would be down to 23 percent by 2030.[131]

b. The Imperative of Flexibility

All of these change—and prospective changes—within developing regions argue for much greater flexibility in our approaches to development assistance. However appropriate it might have seemed five decades ago, to focus aid today on a single overall strategy for the problems of low-income areas would be to betray he fact that we are hopelessly out of date. The developing world has been evolving: its problems are complex and equally varied; its capacities are widely varied and changing annually. No single problem statement, no single substantive target, and no single project dictate will fit the emerging diversity. A completely open portfolio of options (e.g., primary education, or secondary education, or higher education, or professional continuing education) must be available to tailor the U.S. role to rapidly changing conditions and rapidly emerging opportunities.

For example, given the mortality patterns we described in the previous pages, many developing countries now have chronic disease profiles similar to those of Western societies—and with an ongoing "epidemiological transition," the burden of chronic disease stands to be even greater within the less developed regions in the decades immediately ahead.[132] Higher diabetes, cancer and stroke incidents called for new types

of expertise and partnerships over and above the traditional maternal child health aid programs. By the same token, the enormous expansion of higher education over the past generation—and the prospective trends for the coming generation—suggest that there should be vastly more opportunities for genuine partnerships with well trained and highly skilled locals from developing regions than was the case in the days when the notion of "development assistance projects" was originally being conceptualized and formulated.

Both the substance of development assistance and the form in which it is implemented need to adapt to the changing realities of conditions in recipient countries. But the characteristics of the U.S. approach—ones that should strive for a partnership of peers—can provide continuity. The "what" and "where" of U.S. development efforts must adapt to rapid change. The "how" of partnership will point those efforts to success.

d. New Approaches to Resource Transfers

In the mid-1960s, when U.S. foreign assistance began to take its current institutional form, governments were the most important sources of support for economic development. Nearly a half-century later, the resource environment is dramatically different. Not only has the commercial world changed, but whole new streams of private philanthropy have been created and now represent significant flows of resources to development. Moreover, whole new approaches to the funding of community development through corporate partnerships have emerged. Foreign assistance is now one of but many sources of international resource transfer to the developing world. Moreover, for the United States, it is one of the smallest sources.

In turn, given the proliferation of sources and types of resource flows, the future role for foreign assistance may not be one of creating its own impact, but rather of leveraging the continued expansion of these U.S. and even local sources of private commitment to economic development

A brief survey of the dimensions of current resource patterns, the future world they promise, is thus in order.

Trade and Investment

Volumes have been written on the importance of trade and investment in development and the growth in these financial flows to the developing world in the last several decades. Since 1970, the value of global trade has nearly quadrupled. Moreover, in the least developed countries, those at the very bottom of the UN's development indicators, merchandise trade represented 58.3 percent of GDP in 2005, up from 45.7 percent in just the five years since 2000. Foreign direct investment in these least developed nations nearly doubled in those five years.

Hence, the importance of trade and investment to economic growth and development is increasing, and, as noted above, a policy environment that is conducive to that growth is critical for even the least developed nations.

Private Philanthropy

Much has recently been written about the growing role and visibility of philanthropy on the American stage. Bill Gates, Warren Buffett, and the Clinton Global Initiative all are mere shadows of the real growth in the role of private philanthropy in the United States and in the world as a resource for community problem solving. These are institutions and resources that were in their infancy when U.S. foreign assistance was first conceived, but have grown to be significant resources on the development landscape. A caveat is in order. As even Bill Gates has pointed out, philanthropy is neither the total nor the sole solution to problems. Even domestically, Gates notes, if the Gates Foundation spent its entire endowment on U.S. education systems, it would amount to only half of what the state of California spends in just one year.[133] Still in terms of U.S. flows for development, private philanthropy, combined with other private flows, is at least three and a half times larger than total official development assistance.[134]

But arguments over the absolute or relative size of private philanthropy miss the true measure of its importance. Philanthropy is important not because of its size, but because of its nature. It has the ability to be flexible, to take risks, even when neither government nor commerce can. The philanthropic dollar is not a risk-averse dollar. It is nimble and pliable, and can provide what one author has called "hunch money" to new and uncertain areas of endeavor.[135] It is often the only dollar available for this kind of investment. Its presence in the development process encourages innovation in sectors where traditional foreign assistance has become trapped in past problems and bureaucratic process. Private philanthropy alone may not be the largest piece on the societal chessboard, but it has the greatest freedom of movement, and hence the most robust strategic role.

Key U.S. Trends in Global Philanthropy

There is increasing documentation of the growth of U.S. philanthropy and its international dimensions.[136] In 1965 total inflation-adjusted private philanthropy in the United States alone was $91.2 billion. In 2006, it had grown to an estimated $295.2 billion, and increase of 323 percent.[137]

Within that total, philanthropy allocated to international causes and problems was not seriously or rigorously measured before 2002.[138] The latest comprehensive measure of private flows, published in the Index of Global Philanthropy at the Hudson Institute, includes giving by foundations, corporations, PVOs, religious organizations, universities and colleges, and individual remittances. This private giving to developing countries totaled at least $95.2 billion in 2005, compared to U.S. official development assistance of $27.6 billion.[139]

A decade ago, John Havens and Paul Schervish at Boston College estimated that between $18 and $41 trillion transfer of wealth would occur at the baby boomers aged.[140] The beneficiaries would be their children and, importantly, the social and nonprofit institutions and causes they have come to value. There is, of course, debate over the size

and pace of that transfer, but an estimated $6 trillion may make its way into philanthropic flows. [141] The scope and pace of this flow represents an unprecedented opportunity to for partnership and leverage in development, because the awareness of and interest in global issues and problems will likely characterize those who are moving resources to private philanthropy.

In part the growth in global giving by American philanthropy will represent the nature of many of the new leaders of American philanthropy. Men and women who have created industries or entirely new financial approaches to business are also people for whom boundaries have little meaning. Unlike the former titans of philanthropy, whose global experience was a tour of Europe, these leaders will have grown up with (indeed, perhaps created) technologies without geographic limits. Since their lives and experiences will be without geographic limits, their thinking will be naturally global. Their companies may have a headquarters on Madison Avenue or Silicon Valley, but the headquarters location reflects little, if anything, about their identity.

Venture Approaches

The rising tide of American philanthropy, indeed global philanthropy, is not merely a quantitative escalation, it represents a qualitative difference. The new American philanthropists (and indeed some traditional philanthropists) see themselves as wielding more than money. They do not approach problems as funders of charity. They do not see themselves as donors to recipients.

Rather, they see themselves as problem solvers. Many have come to philanthropy after extraordinary commercial success creating new businesses, indeed entire new industries that were never before conceived as possible. They believe, and have evidence to that effect, that new ideas and new approaches can bear fruit on the social commons. To their commitments, they bring not only money but also skills, and they expect that both their money and their skills will be applied to the problems about which they are impassioned. They see their philanthropy as being akin to venture capital, intended to seed solutions with both finance and expertise, which will, in a reasonable amount of time, create self-reliant organizations or solutions, standing on their own financial and institutional feet.

Second, America's new breed of philanthropist is not waiting for the grave. New philanthropists are intimately involved in their philanthropy, in designing solutions, managing initiatives, coaching and guiding their grantee partners. They are not engaged in charity, funding crises of the needy. They are engaged in investment, seeking and addressing the roots of problems, actively and with personal engagement. Many are relatively young, and that engagement can be expected to be counted in several decades not several years. For many, the objective is not simply to make and follow through on long-term commitments, it is, in fact, to completely expend their philanthropy within their lifetimes.

Developing Country Philanthropic Leadership

But the more edifying story is to be found not in U.S. philanthropy, but in the emergence of philanthropy in developing countries themselves. For example, the number of community foundations in Latin America and the Caribbean, Africa and Asia has increased by 26 percent in just the five year period, 2000-2005 and now totals more than 1000.[142] There are private foundation grantmaker associations in Asia and in Eastern Europe. Indeed, community foundations are now part of the World Bank's development strategy, although that effort is in its infancy.

Economic growth in middle income countries has created wealth, and that wealth is itself turning to philanthropy. Encouraging that process, in partnership with U.S. philanthropic leadership, would reinforce efforts to spark self-reliance and the sustainability of progress without "foreign assistance" as the sustainability anchor. The emergence of philanthropists in developing economies is only beginning, but the precedents are impressive. The Tata family, of course, has long been a philanthropic beacon in India as has the Hariri family in Lebanon. Carlos Slim Helú in Mexico, Lee Kun Hee in Asia, Petr Kellner in the Czech Republic, Miloud Chaabi in Morocco, and Patrice Motsepe and Tokyo Sexwale in South Africa exemplify the new generation of philanthropists in middle-income countries.

Emerging local business in developing countries is also developing formal philanthropic initiatives in their own countries and developing country markets. Rio Tinto Zinc in Brazil, AngloGold in Southern Africa, Ayala Corporation in the Philippines, Eskom Holdings in Zambia, and Fundación Telefónica in Argentina have vibrant economic and social development programs. Again, these are lively, but largely ignored, local resources available for partnership, and their leadership could provide important precedents as economies grow and private sectors deepen. This is a quite different pattern and opportunity than existed half a century ago at the initiation of "foreign assistance."

It is true that individual and corporate philanthropy within middle-income countries, while growing, is only beginning. Even in China, charitable contributions account for just 0.05 percent of GDP, compared to 1.5 –2.0 percent in the United States, and domestic corporate philanthropy represents only 0.3[143] percent of post-tax income compared to 2 percent in the United States.[144] Nevertheless, the projected realities of economic growth, combined with new global expectations about social responsibility and the leadership of the new generation of developing country philanthropists represent the likelihood of a growing pool of resources which are locally generated and can be locally harnessed to development.

Remittances

Nowadays, the new flows of locally-generated resources that may stimulate development do not come solely from within the borders of those same countries. One consequence of modern international immigration patterns is that significant financial resources today flow from immigrants back to their families and home communities.

The flow of resources from immigrants back to their families and home communities is an international financial phenomenon known as remittances. In 2005, by the Hudson Institute estimate, remittance flows from the United States to all developing countries exceeded $60 billion.[145] The largest regional recipient of remittances from the United States is Latin America with an estimated share of 65 percent of the total. Mexico alone received an estimated $18 billion in remittances during 2005. Other countries that received large remittance flows from the United States include India, China, and the Philippines.

These flows from the United States are part of a global pattern of increasing remittances. A recent study released by the International Fund for Agricultural Development (IFAD) and the Inter-American Development Bank (IDB) places worldwide remittance flows in 2006 at just over $300 billion. The regions benefiting the most were Asia and Latin America and the Caribbean, receiving approximately $114 billion and $68 billion respectively.[146] The magnitude of these flows is striking, especially when placed in the international development perspective. Estimated remittances amount to almost three times official government aid from all donors.[147] In many cases remittance flows exceed the combined volume of official development aid and foreign direct investment to developing countries.[148]

Benefits of remittances include improvements in their quality of life and real reductions in poverty as measured by Inter-American Development Bank (IDB) and World Bank studies. While the majority of remittances go directly to families for food, medicines and shelter, some of these resources are also being used for village development projects such as schools, wells, and medical clinics. The increasing flow of remittances has also catalyzed an increase in the formation of new businesses, bringing poor people into the financial services sector and increasing creditworthiness of developing country institutions. Backed by remittances, these financial institutions provide stability in the insurance of mortgages and loans. For example in Mexico, the influx of remittances has provided communities with the ability to construct new housing based on the constant flow of remittances that can guarantee loans and mortgages to finance these projects.

Use of Technology to Drive Resources

Technology also provides new pathways for the flow of resources to development.

GlobalGiving, for example, is a "cyber trading place" where organizations seeking support and linked directly to caring individuals seeking to support development efforts. This "eBay-like" structure eliminates the traditional "foreign assistance agency" middleman, and allows direct resource flows. To date, the effort has generated $3.8 million in donations to over 700 projects, with 90 percent of the funds being disbursed to the projects. In just over eighteen months (October 2004–June 2006), the number of donors to GlobalGiving increased nearly six-fold, and the total number of registered users reached nearly 14,000.[149]

Technology is changing the entire process of private individual resource flows for global philanthropy. The ephilanthropy Foundation estimates that total online giving increased

from $10 million in 1999 to $2.62 billion in 2004.[150] The response of individuals to the tsunami alone will total between $1.5 and $2.5 billion in 2004-2005 combined, all given online.[151] This phenomenon, called "ephilanthropy," is attracting the giving of younger generations of Americans. Ephilanthorpy, however, is about more than money. It is a technology strategy for building communities of individuals around particular global problems or particular international PVOs. These purely electronic communities not only represent pools of regular private resource flows, but also opinion groups whose views regularly are combined and streamed into the political an policy process by the hosts of electronic forums and internet blogs. They represent both increased resources for development, and, potentially, large groups of advocates for development itself.

Such technological booster rockets on resources flows for both development and humanitarian needs were not even conceived of when "foreign assistance" programs were created and even now have few if any linkages to more traditional flows of global development funding.

The Marriage of Global Markets and Social Needs

In the last decade, cause related marketing (CRM) and cause branding have gone global. This trend is likely to grow significantly in the future decade as the concepts of "corporate social responsibility" become more widespread and make their ways into both Board rooms and employee benefits programs. In 2004, American companies spent an estimated $1 billion on U.S. and global cause-related marketing campaigns.[152]

While the formal designation of such programs dates from the mid-1980s, in fact the first cause related marketing program was created by American Express in 1885 to raise money from employees to fund the original pedestal of the Statue of Liberty.

Cause-related marketing is the linking of a corporate product or service marketing effort to a nonprofit or an initiative, with some monetary portion of marketing success redounding to the cause and marketing itself used to raise general public awareness of and commitment to the cause. Cause Branding takes the concept to a deeper level, linking the very brand of a company to a cause, and associating the private company deeply with a social cause.[153] Unlike classic corporate philanthropy, these programs are conceived and managed by communications or marketing elements of businesses, and hence are not included in counts of private philanthropy expenditures.

There are no comprehensive data on the totals spent on CRM or branding programs, nor on the amounts of funds generated. Some examples, however, can draw parameters around the opportunity. The "Take Charge of Education" program of Target has raised more than $170 million since 1997 for more than 100,000 K–12 schools. Avon has raised more than $400 million for breast cancer in fifty countries and awarded it to over 1,000 community organizations.

Recently, the combination of cause related marketing and technology has created global, largely internet based resources flows for development and problem solving in

developing countries. The One Campaign to Make Poverty History (ONE.org) was founded by eleven nonprofits with a $3 million Gates Foundation seed grant. It addresses AIDS, poverty, education, water, corruption, food, and orphans—all the concerns of traditional foreign assistance. The Red campaign (joinred.com) against AIDS and the ninemillion.org campaign in support of refugees are similar examples, providing vehicles for resource flows and public commitment to development in partnership with corporations.

These strategies are posited on whole new organizations, approaches and mechanisms that did not exist when "foreign assistance" was conceived and legislation passed. They defy old wisdoms and gray the line between markets and resources aimed at social problems. But, these initiatives have resulted both in the transfer of significant resources to nonprofits addressing problems in the developing world, as well as the development of significant commercial markets for their sponsors. This strategy—using what the private sector does best (produce and market goods and services) to fuel society-wide commitments to significant social problems—results in resource transfers that are not captured in any development or philanthropic data set. Yet, the corporate partnership approach that is premised on linking markets to needs is fast becoming a global engine for social partnerships.

7. Areas for Commission Consideration

a. New Business Model for Assistance: Private Leverage

The lack of evidence of significant impact from past foreign aid efforts, the changing nature of and capabilities in the developing world, and the emergence of whole new approaches to resource transfers for development point to one conclusion: U.S. official development assistance needs an entirely new business model.

The lessons learned from past successes and failures, combined with an appreciation of the trends in economic growth and social development present in much of the developing world and the growing multiplicity of institutions and strategies that are transferring resources on the global stage in new and myriad combinations argue for the need for a completely new rationale for and approach to U.S. government efforts.

First, they argue that the terms "donor," "foreign assistance," and "foreign aid" be consigned to the dustbins of history. Experience teaches the wisdom of, and current trends embody the opportunity for, engaging in partnerships as equals with institutions, public and private, in the developing world. This is more than simply a matter of semantics. It implies that the resources of the United States will be aligned for purposes of development only as partner resources to those of nations themselves and their constituent parts, public and private. The substance of the partnership, the sector, the project, and modes of implementation will all be jointly and mutually determined and jointly and mutually financed.

Second, they argue for leverage to be the new framework for U.S. resource transfers. United States government monies can take advantage of the myriad new sources and techniques of global support for global social needs and the needs of developing nations. A partnerships approach which casts a wide and creative net for partners, and itself becomes a partner for other organizations, will be able to take advantage of, and increase the involvement and emergence of entirely new sources and modes of resource transfer. Strategies for U.S. resources that lead to the emergence of new local philanthropic leaders in developing countries will be mechanisms to ensure sustainability of problem-solving within partner nations. This is also true of the leadership of the American immigrant community as it re-invests its resources in home countries. Only such local commitment to self-reliance and self investment will create long term sustainability for addressing many intractable problems.

Concerted strategies that attract new American philanthropies to development as the "transfer of wealth" between generations takes place over the next thirty years can mobilize resources to development that rival those contained in federal budgets. Such strategies will require a partnership approach and recognition of the priorities and expertise of philanthropic leaders and their institutions.

Similar leverage strategies for linking U.S. partnerships not just to American corporate efforts, but to those of emerging local business leadership in developing countries themselves. U.S. programs have the opportunity to see themselves as, and be perceived as, peers of the private leadership emerging in the developing world. New companies in developing countries can benefit from the experience of U.S. companies by increasing their commitment to corporate philanthropy programs and encouraging employee voluntarism. As local philanthropy grows, it will also lead governments to develop tax structures and policies that encourage even greater growth in philanthropy through tax deduction mechanisms.

With a new framework for development partnerships—one premised on peer relationships and self-reliance— "what works" becomes that which creates self-reliance in our partners, in terms of problem-solving, leadership and resources, which, in turn, benefits all parties to the partnership.

This is, in essence, the philosophy of the Global Development Alliance in USAID. But the above principles for USAID's work should not be a USAID "program," they should constitute the business model for *all* of U.S. foreign assistance.

Of course, a key need in such business model will be to ensure that the United States role in partnership development is recognized. U.S. foreign assistance is an expression of the will of the American people through their government. That will and generosity should be publicly recognized within the partnership effort so that the role of the United States as a partner nation, as well as its constituent institutions as partner peers, is publicly acknowledged.

b. New Approach to Project Design and Implementation

Just as the framework shifts to emphasize partnerships and peers, so must the approach to program design and implementation. Flexibility is critical. Problems and potential solutions must respond to the perceived priorities of partners, not to decades-old legislative mandates. Where the nature of problems (e.g., the rise of chronic disease) and opportunities (e.g., the emergence of technological capacity in partner nations) is changing USAID must be able to respond, indeed to anticipate such changes and initiative innovative discussions with partners.

Moreover, USAID must be able to seize the chance to address issues on which America's own professions and institutions have expertise and build firm relationships between U.S. and partner counterparts that will endure on the basis of perceived professional self-interest and long after USAID's financial role is ended. This proactive role in forging partnerships in the self-interest of professional and private institutions requires that USAID have flexibility in both problems being addressed and mechanisms for crafting partnerships.

As less developed nations strengthen their own human and institutional capacity, peer-to-peer approaches are becoming more relevant to problem-solving and more valuable for establishing long-lasting relationships between institutions and leaders. This peer approach to foreign aid program creation and implementation must replace the USAID contractor mode that has dominated the past. Facilitating peer relationships between executives, professionals, and managers who share similar responsibilities and face similar problems must take the place of merely signing contracts with companies whose business is USAID contracting.

A partnership and venture funding culture, of course, implies a degree of tolerance for risk. In approaching its work through the framework of leverage, AID will be partnering with organizations for whom risk is natural. Indeed, private leaders are comfortable with risk, and see little wrong in taking calculated risks to achieve higher returns. They bring this view to their work on the social commons as well, seeking to experiment with new approaches.

USAID will need to develop mechanism for rewarding the willingness to take calculated risks on the part of its own personnel and program systems. There are a variety of mechanisms that could encourage creativity and new thinking among USAID personnel. Exchanges or sabbatical programs between USAID and corporations or foundations would provide an incentive to think creatively, as well as build broader networks between private institutions and USAID. Policies that tie personnel advancement to partnership innovation or recognition awards for partnership creation could provide the incentives for personnel to become leaders in the new business model of foreign assistance. There are many other possible strategies. The point is that USAID must develop the mechanisms evolving the skills and thinking of its personnel if the new business model is to be viable.

Consideration of risk returns us to the previous discussion of "what has USAID forgotten?" When an organization does not have a robust institutional memory,

innovating is doubly risky because the calculation the probabilities of success cannot be informed by its own experience. Increasing the tolerance for risk at USAID will require an emphasis on evaluation, and, importantly, a discipline to ensure that the results of evaluation reach those making decisions about partnerships and new ventures.

c. New Emphasis for Evaluation: The Heart of Decision Making

Inherent in a new framework of leverage and a venture mindset will be the need to be more intensely attentive to evaluation of what works. USAID must improve feedback loops so that evaluation quickly informs program selection and leverages success during implementation.

Again, a key element in this strategy must be closer relationships with America's professional associations. Standards for establishing expected outcomes to measure adequate systems are inherent in U.S. professions—in management, medicine, energy, education, and finance, for example. The voluntary self-regulation that ensures quality and high standards in, for example, health care through the Joint Commission for the Accreditation of Healthcare Organizations produces shared industry standards and shared industry responsibility for ensuring conformance with those standards. Such organizations are important partners for USAID in developing its own standard-setting and evaluation approaches, and in developing similar peer institutions in partner countries.

Finally, with self-reliance the goal and leverage the means, USAID will need to find new ways to measure the effectiveness of its programs relative to both means and goals. But a partnership approach may complicate that task. Partners, particularly private sector partners, operate in timeframes that are often faster-paced than academia or government. USAID's challenge will be developing these new tools and approaches in ways drive toward economy of effort and efficiency of implementation and use.

The question of where evaluation is best housed has arisen. The Center for Global Development and others have suggested the need for a new independent evaluation agency as a way to improve development assistance evaluation. Such an approach should be approached with caution.

First, it disconnects evaluation from implementation. Evaluation becomes a discrete task, not a continuous management tool. This will not contribute to program quality improvement. Program managers need to have evaluation built into the warp and weave of program planning and implementation, not set aside as a separate activity of someone else. This is not to say that independent assessments are not important. They are very important. But, the asset of knowing what is working and what is not, in relatively real time, must be built into program management. The analogy is found in finance. While it is true that all commercial firms (and many, but not all, PVOs) rely on external auditors to confirm their financial results, the external auditors are not a replacement for the Chief

Financial Officer and finance staff. External evaluation must not be seen as a replacement for internal emphasis on evaluation.

Second, creating an entirely new development agency or organization for evaluation will inevitably create an entirely new bureaucracy. Development assistance needs more efficiency not less, more streamlined processes not more complexity. Once agencies are created they grow. And once they grow, they become concerned with their own self-perpetuation. The focus then becomes less the job for which they were created than acquiring and maintaining ever-greater levels of resources to extend and expand that job. This is in the nature of organizations. To subject the very real need to improve evaluation of foreign assistance to that nature is to over-engineer the solution.

Third, the creation of a separate organization will create an "us and them" culture in foreign assistance. In the eyes of programs, evaluation becomes the "outsider" trying to question program managers. In the eyes of evaluators, program managers become the "insiders" trying to protect their work. Evaluation then risks being seen as accusation. Again, the most useful evaluation capacities will be those that are embedded in assistance programs and human capacity, seen as part of the team not as the spoiler.

USAID must take the importance of evaluation seriously inside its organization, throughout its management structure, and from Washington to the field.

8. Summary

Determining "what works" and "what doesn't" is a difficult task because the science and art of evaluation are poorly evolved in development assistance. Learning from and applying the successful characteristics or partnership and peer relationships is essential. But what is more essential in a changing world, where resources are expanding from all manner of new and creative sources as well as the engine of economic progress itself, is a new business model for U.S. foreign assistance. That business model must be premised on leverage, on linking U.S. public resources to the myriad emerging streams of private endeavor that characterize global development, and that encourage the emergence of even more, stronger, and more innovative streams of involvement.

Such a business model departs from the past in at least three ways. First, it is premised on flexibility. The programs pursued, the opportunities seized, the partners aligned, the ways in which funding creates self-reliance are driven not by earmarked legislation, not by the capacities of contractors, not by the world of 1970, but by the nature of problems and the presence of opportunities that emerge from the promises of a changing world.

Second, it reduces control. USAID becomes not the task master of U.S. development programs, but the aggregator or facilitator of effort, the creator of syndicates of resources targeted at self-reliance.

Third, it permits, indeed even emphasizes, innovation. USAID would seek new parties, new approaches, new technologies, and new mechanisms for allocating its resources. It

would seek out and link its activities to new streams of resources, seeking leverage for every dollar it invests and constantly searching for emerging co-financing leaders. This business model transforms USAID from a passive funder of projects to an investor in innovation.

The new business model requires a new legislative vision, and, importantly, new types of skills and networks within USAID.

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