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**Advisory Committee on Voluntary
Foreign Aid**

Meeting Report

May 31, 2001

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PUBLIC MEETING

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“Development Cooperation in the New Global Context”

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

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DEVELOPMENT COOPERATION IN THE NEW GLOBAL CONTEXT

Welcome and Introduction, William S. Reese, ACVFA Chair

William S. Reese, ACVFA Chair, welcomed the ACVFA members, U.S. Agency for International Development (USAID) staff, and meeting participants. He mentioned that he was just back from meeting with Japanese colleagues at the Common Agenda Round Table (CART) in Honolulu, where the two largest world economies were discussing the US-Japan common agenda. The Honolulu meeting underscores that history is not static. The ACVFA was formed on March 3, 1941, pre-World War II, and 60 years later one of its members was involved with US-Japan collaboration on development worldwide.

Mr. Reese referred to this quarterly meeting of the ACVFA as a special occasion, a “debut” for Andrew S. Natsios, the newly appointed USAID Administrator. Mr. Natsios originally came to USAID in the late 1980s, and now returns to provide top leadership to old and new challenges as mandated by President Bush. His appointment signifies a new partnership with the State Department. He noted that Mr. Natsios, a man familiar with war zones and poverty zones, returned the previous day from a trip to Africa with Secretary of State Colin Powell. Mr. Reese stressed that ACVFA pledges its honest and candid advice and a “forum in the sunshine” for discussion of international development that will have a real impact on people.

The focus of the general meeting was alliance building, with special attention given to USAID’s Global Development Alliance (GDA). Concurrent breakout sessions centered on three of USAID’s new Program Pillars: economic growth and agriculture, global health, and conflict prevention and developmental relief. The meeting agenda is attached.

**Keynote Address: *"USAID’s New Approach to Development,"*
Andrew S. Natsios, USAID Administrator**

Mr. Natsios opened his address by saying how happy he was to be speaking with the members of ACVFA and the public. He noted the reasons for his enthusiasm.

- The Administrator of USAID was the only job he wanted in the new Administration.

- One of his heroes in American life is Colin Powell, and he anticipates that he will be a great Secretary of State in the tradition of George Marshall. Mr. Natsios spoke of his recent trip to Africa with Secretary Powell, conditions in the Sudan, and the Secretary's speech at the University of Witswatersrand in South Africa, which laid out the vision for American development/humanitarian policy in Africa.
- President Bush's commitment, particularly in terms of combating atrocities, famine in the Sudan, and the HIV/AIDS pandemic. These issues have been of great importance to Mr. Natsios for more than a decade.
- The important role of ACVFA in advising senior members of the administration on the views of the nonprofit sector. One of Mr. Natsios' responsibilities as an Assistant Administrator of USAID during the first Bush Administration was to staff the Advisory Committee; thus he is very familiar with ACVFA's work.

Mr. Natsios stressed that the areas of budget, finance and management - and particularly finance - were of key interest to him, particularly finance. USAID financial data is not complete because the coding of expenditures, set up to meet the accounting requirements of various constituencies, has not been standardized; however, the Agency is working on a unified system. Based on current data, one-third of USAID expenditures goes to American-based NGOs, and another third to the broader category of non-profits, including indigenous NGOs, universities, and other organizations such as labor unions and cooperatives. Mr. Natsios reaffirmed the importance of the non-profit sector to him and to USAID.

Mr. Natsios described two starkly contrasting characteristics of the post-Cold War world:

- **Globalization**, defined as the intersection of national and global economies. This provides more open international trading and financial systems, which should provide greater wealth and opportunities for all.
- **Conflict** in the form of failing states and civil unrest. Two-thirds of the 75 countries in which USAID has missions had major conflicts or civil wars in the past five years. The economic and political damage because of such conflict is vast, infrastructure is destroyed, and often the educated citizens of a country - those who are most mobile - exit, and don't return.

He next introduced USAID's Four Pillars, which had their origin in the Four Points in President Truman's second inaugural address. The reason for reviving the notion of Four Pillars is twofold: 1) to help describe better what USAID does, and 2) to provide a structure for reorganizing USAID's budget/finance and programming systems. The Four Pillars are:

- **Global Health**. This pillar will encompass HIV/AIDS, infectious diseases, women's reproductive health, child survival, nutrition, public health, and water and sanitation.
- **Economic Growth and Agriculture**. Economic growth is essential for eliminating poverty. Although some have argued (such as Georgetown University professor and

former USAID Deputy Administrator Carol Lancaster has) that global economic growth should be turned over to the World Bank, the Bank is a lending institution with a development mission different from that of USAID. Officials of developing countries that want to enter the global trading system to bring more wealth into their countries need training on how to do it. Training is a function particularly suited to USAID. Mr. Natsios emphasized that an integral component of this pillar will be agricultural development and rural investment, without which countries cannot address food security, hunger and malnutrition.

- **Conflict Prevention and Developmental Relief.** Programs must be designed so that the potential for conflict in a country is taken into account long before conflict erupts. An imbalance of resources between areas within a country may create the conditions for conflict between haves and have-nots. Development workers - USAID and NGOs - should view development activities as conflict prevention mechanisms. For example, investing in water resources in countries of the Mideast can help to ameliorate a source of conflict. Development initiatives can be included in relief programs, even to a certain extent in programs funded by cash grants from the Office of Foreign Disaster Assistance (OFDA).
- **Global Development Alliance (GDA).** This pillar cuts across the other three, and is a vehicle for treating USAID as a sort of venture capital fund. While USAID will not do everything a venture capital fund does, the Agency will be more open to small investments for innovative ideas that may carry some risk. For example, Hernando DeSoto's groundbreaking work in Peru was started with a small investment from the USAID Mission. DeSoto's approach has spread to other countries, such as Egypt, that want to consider changes in their regulatory systems. Through the GDA, USAID will focus more attention public-private alliances, systematizing the approach throughout the Agency and bringing it to a larger scale.

Mr. Natsios discussed the need for the American public to understand development work. The development community's use of arcane terminology such as "sustainable development," which is understood only by USAID staff, NGOs, and UN agencies, is an impediment to meeting that goal. The four pillars provide a simpler and clearer framework for describing what USAID does in a way that people can understand and remember.

In conclusion, Mr. Natsios said that he plans to focus on improving USAID's central management systems – procurement, personnel, finance and information systems. This presents a considerable challenge, because these systems must respond to various interests that may not be able to be reconciled.

Finally, Mr. Natsios reiterated his belief that the President and Secretary of State are very supportive of USAID's work. While there is an inherent tension between the State Department and USAID because of the different perspectives and timeframes of foreign policy and foreign assistance, the overall relationship is collegial and positive. Given this support, the outlook for development over the next three-to-four years is optimistic.

Questions and Answers

ACVFA member **Herschelle Challenor** noted that in testimony before Congress, Mr. Natsios spoke about energy needs in Africa and some parts of Asia. She inquired whether USAID would involve the major U.S. and global energy corporations in addressing energy needs in developing countries.

Administrator Natsios responded that rural electric development is vital. USAID already sends representatives from the energy sector to developing nations, and he will continue to involve them. The United States has a 100-year history of rural electrification, and it only makes sense for developing countries to learn from our lessons.

ACVFA member **Ted Weihe** addressed the issue of selecting senior leadership and asked about the amount of control the Administrator would have over the selection of his senior staff.

Administrator Natsios reported that the White House is exercising oversight with attention to qualifications as well as to political affiliation, but he has been given latitude to choose his own staff. Five Assistant Administrator candidates are going through the security clearance process and will be named as soon as that is complete. His choices will be based on obtaining a cross-section of skills, with an emphasis on management capability and ideas.

ACVFA member **Jane Pratt** wished Mr. Natsios success with the exciting agenda he described, and inquired how much flexibility he expected to have in allocating budgetary funds and in securing the additional resources necessary to achieve his goals.

Administrator Natsios noted that the multitude of congressional earmarks and directives (there are 243 soft earmarks) create a management problem. They restrict the flexibility of USAID mission staff who know best where funds need to be allocated to address the development problems in their respective countries. Another problem is posed by long-term contracts that tie up funds and limit flexibility. Synchronizing USAID's budgeting system and organizational structure will help to some extent in addressing these issues.

Michael Deegan of ACDI/VOCA raised the issue of "stovepiping" and asked whether the Administrator would use a systems approach or "management units."

Administrator Natsios plans to make changes within the first year, focusing on getting the work done rather than instrumentalities. The systems to need to be changed and incentives realigned with objectives. He cited his work at the Boston "Big Dig" project as an example of how to best use an incentive system to cut costs and safety hazards. Mr. Natsios asked for feedback from the NGO community on how to change the systems and build in incentives.

The text of Mr. Natsios' remarks can be found in Annex 2.

Plenary Panel: Alliance Building

Mr. Reese invited the morning panelists to the table and introduced each one: **Linda Morse**, Acting Assistant Administrator, Europe and Eurasia, USAID; **John Costello**, President, Citizens Network for Foreign Affairs (CNFA); and **Kevin Quigley**, Executive Director, Global Alliance, International Youth Foundation (IYF).

USAID's Global Development Alliance: Business Model for the 21st Century **Linda Morse**

Ms. Morse said that the Alliance was announced on May 10, 2001, and the initiative is still in its infancy. It is a work in progress that will be informed by input from USAID's partners before decisions are made about what it will be, how it will be structured, and how it will operate. GDA is meant to be USAID's business model for the 21st Century and has been presented as a new approach by Administrator Natsios and Secretary Powell in their testimony before Congress. Its focus is on partnerships among the multiple kinds of institutions working in development. While USAID has utilized partnerships in the past, the difference is in seeking full partnerships with old partners, as well as bringing new partners to the table. USAID hopes to act as a catalyst, synthesizer and integrator of the new resources made available for development through the GDA. The GDA will be a vehicle for leveraging large funds with small amounts of money and for stimulating innovation and new ideas by promoting use of seed capital by USAID for risky ventures.

Why create a Global Development Alliance?

- Globalization is a characteristic of today's changing world, and USAID is no longer the principal player.
- More money for development work can be brought to the table through partnerships, particularly through partnerships with the private sector.
- Alliances among different organizations will stimulate new ideas and innovation.
- GDA can act as a wedge into USAID's management systems reform.
- Alliances can be a vehicle for creating awareness of foreign assistance among new constituencies.

What does USAID have to offer the alliances?

- A strong country presence.
- Technical expertise in a variety of specialties.
- The influence of the US government in dialogue on policy and management reform in host countries.

- Seed funds of \$160 million for activities over a period of 2-3 years, specifically \$110 million in development assistance, \$25 million in health, \$25 million in conflict/developmental relief. This funding is still to be approved by Congress.

Where do we go from here?

- There will be meetings to bring in partners, such as corporations and NGOs, and to talk about opportunities for alliances. Knowing that alliances take a long time to build, it is expected that 2-3 large alliances may be developed within the first year, with smaller amounts of money for Mission-related alliances. Although the alliance approach will permeate all of USAID's programming, it will not replace public sector activities, nor mean that everything will be done in the form of an alliance.
- GDA is launching an interactive website in mid-June; participants are encouraged to access the site and to continue sending comments and ideas about the GDA to USAID staff.

Building Successful Alliances: Lessons and Strategies from Public-Private Partnerships

John Costello and Kevin Quigley

Mr. Costello discussed strategic alliances between the public and private sectors, and noted the importance of the capital, expertise and know-how brought to these partnerships by the private sector. Four-fifths of the world's population in emerging economies is in agriculture. Over the past eight years in the countries of the former Soviet Union, USAID has invested \$80 million in agribusiness partnerships involving USAID missions, CNFA and the private sector. Since the early 1990s, CNFA has facilitated opportunities for alliances and partnerships among 300 agribusinesses and farm organizations. Mr. Costello cited milk collection stations in the Ukraine and village stores in Moldova as agribusiness partnership best practices that have linked small producers to the cash economy and increased incomes with small initial investments.

He discussed fundamental ground rules for successful public-private partnerships. Alliances must be made between entities that share the same values and goals and have a commitment to solve problems. The best partnerships are rooted in equity and transparency and have constant and open dialogue. Economic empowerment of enterprises and people is necessary and will, in turn, produce results and commitment in the community. Allowing producers to pursue their interests in economic and political ways will have significant impact on the development process.

Mr. Quigley began his presentation by asking the audience to use their imaginations to visualize him as Maria Eitel, Vice President for Corporate Responsibility at NIKE, Inc., and President of the NIKE Foundation, who was originally scheduled to be on the panel.

The Global Alliance, a public-private-not-for-profit initiative that includes NIKE, the Gap, and the World Bank and receives support from a number of universities and foundations

including MacArthur Foundation, arose out of the debate over globalization. NIKE was challenged because of working conditions in the overseas factories that produce their goods. NIKE's original response was that they were not culpable because they do not own the manufacturing facilities. Then they developed a code of conduct. Over time, they took a closer look at their code of conduct and decided they needed a new strategy. NIKE encouraged its contract factories to invest in the human development of its workforce - defined broadly from factory owners and managers to laborers - to have a positive impact on the lives of its workers both at home and abroad. The company adopted this strategy as a core business concept, but realized it was not their core competency. Thus, NIKE needed partners and identified IYF, with its complementary mission and interests, to work towards improving the prospects of workers inside and outside the workplace, and do it in a transparent way, based on the best participatory development techniques.

Funding for the Global Alliance, launched two years ago, comes out of corporate budgets. The initiative, given a five-year commitment, was fully funded up front. Mr. Quigley noted that it is one of the most active, intensive and results-oriented partnerships in which he has been involved. The initiative is about changing incentives and practices of global manufacturing partners. The key elements in its success are the commitment of the boards of the organizations involved, the relatively long timeframe, and the transparency of all partners. Also critical is the fact that the initiative goes beyond corporate philanthropy and relies on the company's core business resources and is therefore central to the company's business.

Mr. Reese adjourned the panel and requested that, in the interest of time, meeting participants proceed to the breakout sessions.

Concurrent Breakout Sessions: USAID's Three New Program Pillars (the fourth Program Pillar, USAID's Global Development Alliance, was presented during the Plenary Panel)

- I. Economic Growth and Agriculture**
- II. Global Health**
- III. Conflict Prevention and Developmental Relief**

Economic Growth and Agriculture

Emmy Simmons, Deputy Assistant Administrator, Center for Economic Growth and Agriculture, USAID

Peter Reiling, President, Technoserve, Inc., ACVFA Member

John Flynn, Managing Director for Agriculture, Winrock International (WI)

Peter Reiling, convenor, posed three questions as a framework for the session:

- How are other groups creatively using alliances with the private sector to foster economic growth?

- What role could USAID best play to facilitate such alliances and is USAID equipped to play it?
- Is the PVO/NGO community equipped to participate effectively in such alliances?

Ms. Simmons began by saying that \$3.4 billion of USAID funding each year has been budgeted for Economic Growth and Agriculture in Egypt and Africa. Of this, some \$300 million is programmed for agriculture. The largest recipient of the agriculture funds, however, is Egypt, with less than \$100 million dedicated to Africa.

Ms. Simmons just returned from the mid-term meeting of the Consultative Group on International Agricultural Research (CGIAR) in South Africa. CGIAR is an alliance of private foundations, governments and international organizations, such as the World Bank, that was formally organized in 1971. It has no formal rules of governance, yet it represents one of the finest examples of "a global development alliance" and has a 30-year history. It accounts for \$350 million in agricultural research on crops and the environment.

Many people ask why CGIAR is still needed. Both Monsanto's and Brazil's agricultural research budgets are much greater than that of CGIAR. The global supply of food is enough to feed the world. However, at the same time, many countries have declining agricultural research funds. And more than 800 million people worldwide go hungry. At least 1.2 billion people have less than \$1.00 per day to feed themselves. It is estimated that 2 billion people will be added to the world's population in the next 20 years, and 97% of them will be in developing countries.

The following are issues affecting CGIAR:

- The need for new partners from the private sector. While new funding is needed, there is a fear that corporate funding might undercut the public nature of the research being carried out.
- There is a persona problem to be overcome. The public does not understand what CGIAR is or does.
- New issues such as biotechnology are exciting, yet divisive, forces in the field. Agriculture is at the cusp of moving into a new level of productivity. Public sentiment in Europe has made biotechnology a monster. Ownership of biotechnology is a stumbling point. Donors could, however, fund the system's gene banks - biodiversity resources - with public funding, ensuring that the collections of genetic materials for world food will be conserved and widely available.
- NGOs are a new constituency of CGIAR. Even though they are stakeholders and do not bring money into the alliance, they want a voice in governance.

Lessons learned through CGIAR include four criteria for successful partnerships: transparency, trust, shared vision/goal and mutual benefit. In addition, accountability and governance are needed where public funds are involved; fast-evolving situations require hands-on and long-term involvement; and the best ideas are big and relatively simple.

Ms. Simmons also introduced the Partnerships for Food Industry Development (PFID), a new program that is intended to forge alliances in agribusiness and trade, food safety and standards. There are currently two USAID-funded alliances, one focusing on the fruit and vegetable sectors and the other on the meat and seafood sectors. These alliances are intended to improve the food safety and regulatory structures for agricultural products in a global economy.

Mr. Reiling reported on Technoserve's experience in alliance building over the past three years. TNS has been reaching out to the private sector across the US, corporate foundations and operational units within corporations, for cash and/or in-kind contributions. Technoserve's mandate is to create broad-based economic growth in rural areas.

Technoserve's partners range from traditional agribusiness players such as Cargill and Monsanto, to global professional service firms such as McKinsey, Young & Rubicam (Y&R) and Ernst & Young. They have also partnered with high-tech firms like Lotus Development, as well as local private food processors (Star Foods/South Africa), exporters (Atlantic/Nicaragua) and trade associations (The Mozambique Banana Producers and Exporters Association). Within these partnerships, they have worked with a range of staff from junior to senior executive, and have pursued funding from the corporations themselves as well as from third parties (e.g., Technoserve/McKinsey joint contract with the Government of Portugal in Mozambique).

Alliance projects have included: investigation of high-value agricultural products for small producers in Kenya with Monsanto; development of the oilseed industry in Mozambique with Cargill; branding strategies for cashew nuts in Ghana and tropical fruits in Mozambique with Y&R; advice to industry players in coffee in Nicaragua, El Salvador and Tanzania with General Mills and Peet's Coffee; and seminars on country/industry competition in Tanzania, Mozambique, Ghana and Nicaragua.

Mr. Reiling highlighted several important issues that PVOs should consider when attempting to create alliances with the private sector:

- Never sugarcoat the business risks in the developing world if you want to maintain your credibility.
- Define what you will and will not do with your corporate partners (e.g., do you want to be a distribution channel for their products?).
- Do not underestimate what your organization can offer your business partner (e.g., on the ground business intelligence).

- Cash is difficult to secure, but many corporations are willing to make in-kind contributions, including staff and equipment.
- Focus on - and deliver - RESULTS.

Mr. Flynn provided an overview of Winrock International, a science and technology-oriented, charitable organization that works in 45 countries around the world. Its mission is to increase productivity of the poor and disadvantaged, while maintaining the resource base and protecting the environment.

He stressed that agriculture has been a global business for the past 20 years, and that partnerships are crucial for leveraging resources to improve the development product. Key issues in agriculture are production, getting the product to market, competition, public goods such as the infrastructure, and trade policies. Partnerships address these issues by leveraging resources, creating synergies, harnessing market forces, and improving the development product and client service.

Mr. Flynn explained that, for partnerships to be successful, the parties must have mutual or shared interests, as well as complementary resources and/or capabilities, and their objectives must be clearly defined and mutually agreed upon.

He also addressed the issue of conflict of interest management. An example was funding WI received from Monsanto for conservation tillage programs in Africa and Indonesia. While Monsanto products were demonstrated, WI did not promote any particular product lines.

Mr. Flynn's closing hypotheses included:

- Properly structured partnerships are essential for successful development programs.
- Reconciliation of public and private interests is a powerful force for development.
- Commercial interests can promote sustainability – financial, institutional and environmental.
- The poor and disadvantaged can benefit from public and private partnerships.

Participant Discussion

What role can USAID best play in promoting public-private alliances? Is USAID equipped?

Participants stressed the critical role of USAID in creating the proper policy environment to even attract corporate interest.

Others reported uneven experience with USAID support for business partnerships. Some USAID missions take an active and supportive role, while others seem distrustful of the business community. Some USAID staff seem to believe that corporations should put up all the money for development projects. Others are hesitant to share governance of activities that have USAID funding with other participants who may be bringing even more resources to the table.

A difficulty created by partnerships that involve more than one USAID office is that there often is no central point within USAID for the PVO partner to relate to.

There was discussion of the difference between the terms “shareholders” and stakeholders.” Shareholders bring money to the table, while stakeholders feel they have an important role to play in directing the resources. Stakeholders provide in-kind contributions, such as dialogue, that are important to the partnership. Some shareholders think that they need not listen to stakeholders when they do not agree with them. This poses problems.

Participants spoke of the important role of USAID in shepherding partnerships by compiling and disseminating lessons learned. It was pointed out that USAID's traditional procurement focus is no longer relevant with the alliance mentality. Congress will need to have a say in how systems are realigned.

There was discussion of the political interests that come into play in alliances. These can inhibit PVOs from working with the people who need the development help. USAID and corporate partners might not want their money going to particular countries - or particular groups within countries - for political or economic reasons.

A participant pointed out that, in order to ensure that the poor benefit from partnerships, indigenous people need to find their way to the table to gain control of their own resources and property. USAID can play an important role in community-based property rights.

Mr. Reiling recapped what had been addressed thus far for the plenary report:

- USAID should work to create the right policy environment for corporate engagement.
- USAID must deal with its own internal culture, which is sometimes distrustful of corporations.
- USAID should be sure the proper stakeholders are at the table, but should not be solely responsible for identifying them.
- USAID and PVOs need to value in-kind contributions/resources and not just cash in partnerships.
- USAID will need to be willing to share governance with its new partners.

- USAID can offer a valuable platform to share lessons learned and best practices.

In response to a question about how small NGOs will be involved in the GDA and what USAID is doing to involve ethnic organizations in the Eastern European countries, Ms. Simmons pointed out that there are many examples of partnerships with smaller partners. Partnerships for Food Industry Development (PFID) was highlighted, specifically the meat and seafood partnership between Virginia State University and Ukrainian and Moldovan organizations. PFID is the largest economic growth program in Eastern Europe.

It was noted that partnerships with USAID suggest they will be facilitated by PVOs or NGOs, yet the private sector often prefers to partner directly with no intermediaries. On the other hand, partnership brokers, such as the Financial Services Volunteer Corps, can play a useful role in neutralizing conflicts among partners.

Global Health

Joy Riggs-Perla, Director, Office of Health and Nutrition, USAID

Peggy Curlin, President, Centre for Development and Population Activities (CEDPA), ACVFA Member

Ms. Curlin gave an introduction with an explanation of ACVFA's role. Ms. Riggs-Perla said this is an ideal time for public vetting of thoughts and suggestions regarding GDA since the program is in its infancy. These are exciting times for global health with a new level of commitment. The current emphasis is partly driven by the AIDS epidemic and partly by congressional appropriators that view global health as an issue of necessary concern to all. Another factor is that foundations are increasingly active in the international health field. The Gates Foundation is second in funding health programs after USAID.

Among other changes noted were: more active role of PVOs overseas; recognition that NGOs have a unique role often unfulfilled by governments; increasing interest among corporations that recognize the importance of being involved in global issues, as well as demonstrating good citizenship; and increased number of alliances and alliance-generated resources.

Examples of alliances were given, including: (1) food companies with the VITA Alliance (Kellogg, Heinz, etc.) focusing on food fortification as an efficient and sustainable way of addressing micronutrient deficiencies. The alliance looks for ways to achieve health goals using private companies that can benefit from expanded markets and higher quality (fortified) products; (2) pharmaceutical companies (like Hoffman-LaRoche) with donated Vitamin A; (3) the Health Tech project with the Program for Appropriate Technology for Health (PATH) which has worked with a variety of companies on the development of health products such as vaccine vial monitors, auto-disable syringes and needles, diagnostic kits and uniject vaccine delivery systems. The technology for many of these products has also been shared with organizations in the developing world.

Ms. Curlin discussed how alliances at the local level are also being built. An example is the Safe Motherhood Alliance in Nepal that has partnered businesses, movie stars and communities to educate groups of villagers and school children about issues of Safe Motherhood. USAID missions are increasingly interested in facilitating such PVO-business partnerships.

Participants noted that the Commerce Department has a similar interest in working with corporations to promote trade. There was open discussion of whether Commerce could bring PVOs and business together. Examples of countries where links might be possible included the Ukraine where Commerce is helping with food safety regulation to be compliant with the World Trade Organization, and Moldova where Commerce is helping to develop product standards and training on how to write regulations.

Building upon the lessons of successful examples, how can alliances be developed in the future?

- The best of lessons learned is that alliances take time to develop and are for the long haul. You cannot have results in three years.
- USAID could act as a facilitator to bring NGOs, PVOs and the Department of Commerce together to promote trade as well as social objectives.
- GDA could be a backstop for private enterprises, bringing them together with NGOs and PVOs.
- USAID knows and understands countries' problems, but does not have the expertise for business dealings. High tech companies want to sell equipment in emerging economies, but do not know countries' needs. Both must look where interests intersect, for example, in fortified foods.
- Other agencies, in addition to Commerce, are getting involved in international programs. GDA could facilitate working with different sectors and agencies to harness resources, rather than duplicate efforts.
- USAID could help businesses identify alliance partners that understand the limitations and needs of various countries, thereby serving the communities better.
- USAID could develop a process for PVOs to learn how to get support for alliances.

What is USAID's comparative advantage?

- USAID has the comparative advantage of in-country presence, technical staff, etc., and a network of institutions working locally. Alliances can be sought out at the country level, not just globally.
- USAID has core competencies and can build on successes, such as the Polio Eradication Program, that could be modified to make an impact in a new way.

What must USAID have to foster alliances? What do PVOs and NGOs need in order to be able to participate?

- A human resource section in the GDA could facilitate the matching of partners.
- There needs to be a procedural process for all parties, including corporations, interested in an alliance. Alliances take time to pull together.
- A way is needed for companies to network with USAID and for organizations such as Rotary Clubs to get together.
- USAID might facilitate the linking of entities (PVOs and companies). USAID could link expertise with different parts of the world to share lessons.
- Conflict of interest guidelines in place so activities are health-driven and not product-driven. Community-based empowerment might be compromised if health aid is product-driven.
- USAID could hold facilitation workshops.
- USAID could issue a Request for Applications (RFA) for alliance support.
- How do alliances fit into the US foreign aid framework and priorities?
- Hewlett-Packard Company is putting up millions of dollars to seek out those without access to technology. They are working through large networks of NGOs for a modus operandi. Corporate minds know that they need to be strategic if they are going to contribute to the reduction of poverty.
- Are alliances an opportunity to deal with countries like Mexico to open programs and cooperation? USAID has a tendency to operate programs where there is a mission.
- USAID needs to create a model for alliance building, a protocol for going through government, or maybe best practices.
- InterAction is able to call people together for natural alliances. Perhaps USAID could support InterAction to facilitate the formation of alliances.
- USAID could get different organizations to the table, since if USAID calls a meeting everyone will show up. That would be a great accomplishment.
- USAID should encourage links between sectors and should avoid seeing the program pillars as solid.
- It would be useful for USAID to develop a code of ethics, honest disclosures and background checks, and evaluation techniques.

What does the PVO community need to do to reach out and expand alliances?

- Criteria are needed to determine whether alliances are a good idea, how to identify components of successful partnerships, how to measure outcomes and identify who is left out. USAID could have a role to play in this identification.
- These alliances, particularly those involving the private sector, do not fall on the table. It takes a lot of hard work to develop and to keep them going. It is a collaborative effort. Conflicts do arise. It is important to think about establishing procedures and processes. There needs to be a shared interest. There are different risks, expectations and accountabilities. It is a complex process.
- There needs to be a look at the whole question of partnership as an activity. A systematic process, certain protocol and guidelines exist. There needs to be space for organizations to open doors and learn how to work with each other. This takes time.
- Alliances between organizations, such as for PVO capacity building, new techniques and best practices, keep PVOs from stagnating. Do not forget mentoring and technical assistance. Diversity that comes in with new agencies is very valuable.
- Evaluation measures in alliance formation are intractable. Go for incremental measures over the long term.
- Look at corporations and give inputs. They need to justify to shareholders. This should not be corporate welfare. We need to recognize that some corporations do good work. They are not entirely profit-oriented.
- If corporations link with PVOs to create a public endorsement coalition, it would be a practical way to raise public awareness. Corporate advertising could be used for public endorsement.

The discussion turned to the urgent global health issue of HIV/AIDS. Participants made the following comments:

- There is a local NGO alliance with pharmaceuticals in South Africa that is working on testing and treatment of HIV/AIDS. Is USAID interested in such partnerships on a larger scale? This could include voluntary testing and counseling.
- USAID's emphasis is on prevention. But treatment is also very much a part of the program. Pharmaceutical companies would be natural partners in this effort.
- The concern that AIDS treatment can't be monitored is unfounded. There needs to be treatment for prevention to work. The answer is not one or the other. Both are needed.
- There needs to be an incentive for people who test positive to get them to come in the door. Partnerships with churches that are set up to offer care could be useful.

Ms. Riggs-Perla commented that it was a useful session. Good ideas were presented to help guide the process. We need continued discussion.

Conflict Prevention and Developmental Relief

Charles MacCormack, President, Save the Children, ACVFA Member

William Renison, Humanitarian Assistance Policy Advisor, Bureau for Policy and Program Coordination (PPC), USAID

Mr. MacCormack introduced the subject for discussion, noting that he is the Chair of ACVFA's Working Group on Humanitarian Response. Beyond providing suggestions for alliances in the area of conflict prevention and relief, the group should also consider how alliances and partnerships might assist in improving humanitarian response and in broadening the players and sectors involved in the relief-to-development continuum.

Mr. Renison talked of his background at USAID as it relates to the Third Pillar. He joined USAID to work on human resource development activities for the Africa Bureau. Given recurrent emergencies starting with the drought in Southern Africa in 1992, he soon realized that a strategy was needed for effectively dealing with development in the context of conflict and crisis. There was a need to improve the organizational structure to get development staff working on conflict/disaster issues.

There remains much to be done in terms of bringing together relief and development in more effective ways. USAID has not traditionally been very active in conflict prevention, although work in this area increased after the former USAID Administrator issued a policy on conflict prevention. There is an ongoing debate within the Agency about "what makes sense," what this means for USAID's partners, and how to use resources more strategically and in an integrated framework - one that deals with the root causes of conflict and integrates humanitarian and economic assistance to prevent and/or mitigate violent conflict, and that breaks down the traditional sectoral stovepiping of resources and programs. One example of a new grassroots level partnership in this area that would build upon successes may be for USAID to link with the Mennonites and other faith-based organizations that have been working in conflict prevention. Mr. Renison noted that USAID recently sponsored a conference on the role of foreign assistance in short- and long-term conflict prevention. There is a link to the conference proceedings on the USAID website. He encouraged participants to speak out about their activities and how they partner and link with other organizations.

Mr. MacCormack proposed that the discussion center on how to develop partnerships and alliances in conflict prevention and developmental relief, and on what would be needed within USAID and its NGO/PVO partners to make the efforts successful. As an example, he noted that having just returned from Nicaragua and El Salvador, he was acutely aware that even though Save the Children is putting up 100 temporary shelters per day to help rebuild after the earthquakes, there are also complex long-term issues that must be grappled with in order to mitigate future disasters. The Gates Foundation is helping bridge the relief-to-

development gap by providing resources to rehabilitate the health and educational systems over the long-term, while donors and the Salvadoran government focused on the immediate reconstruction needs. The development work would not have happened without the partnership with Gates. For Save the Children, foundation support is important in managing the relief-to-development continuum.

Another partnership example cited by Mr. MacCormack featured the firm Marsh-McLennan (insurance and re-insurance) whose staff work on disaster mitigation and preparedness for private clients all over the world. The company realized that it might be able to link its employees with NGOs for mutual benefit. Save the Children is now engaged in discussions to solidify a partnership.

Mr. MacCormack also described an ongoing partnership with Microsoft Corporation in Nicaragua. Microsoft has provided Save the Children and community partners with personal digital assistants (handheld PDAs) with software designed for risk management, mapping, census taking, etc. The databases can be centralized to tie into the PDAs. This technical equipment serves PVOs, NGOs, USAID and people in the communities.

The key lesson is that these partnerships (corporate, foundations and government) must be two-way streets that benefit all parties. It has to do with the interest and motivation of younger employees. Thousands of Microsoft employees urged the corporation to help in many of the disasters and crises happening globally. Providing assistance helped reduce turnover at the company. Mr. MacCormack concluded that the growth of the larger foundation and corporate sector interest will mean a whole new way of doing development work - a way that will require a lot more effort on the part of all partners.

Participant Discussion:

A representative of Doctors Without Borders spoke of his organization's concern for neutrality and independence. He voiced concern that organizations in partnerships might be perceived as sharing objectives that could present a danger to the people working in the field - for example, a problem could arise if the partner had links to the US military. He urged USAID and participants to be wary of adding a political agenda to conflict prevention.

Other participants disagreed, noting that partners need to share goals and objectives, and that the clearer an organization is about its own identity, the easier it is to partner without a loss of independence.

Often successful partnerships can be built on sharing just the mutual objective of solving a particular problem, such as the need for pharmaceuticals in an area where hospitals and businesses have been destroyed. CitiHope has developed several such partnerships.

There was discussion of the need for donors to take a longer-term and more flexible approach, especially with regard to the six-month grants that are typical in emergency situations. USAID staff pointed out that there are restrictions on grants from the Office of Foreign Disaster Assistance (OFDA) which limit them to one year; however, the Agency is

aware of the need to use different sources of funding in relief and development and to integrate the process better. The relief-to-development continuum is a useful model to describe what we are doing. USAID and NGOs should focus on how to combine funds to lay the groundwork to avoid future conflict. For example, USAID is trying to build principles of democracy and good governance into all projects in countries where poor government practices foster a cycle of conflict.

Some participants suggested that it is important for the private sector to take the lead in partnerships for conflict prevention, because the government cannot do it. A representative from Counterpart International posited four keys to successful conflict prevention partnerships: leadership on the part of both partners, trust, focus (this is sometimes the most difficult for NGOs that are scattered in different areas), and resources. If the resources are there without the first three components, the project will fail. If the first three components exist, the resources will follow.

There was consensus that partnerships need to be customized; there is not a one-size-fits-all formula. Broad guidelines may be useful, but all the unique factors in individual partnerships need to be taken into consideration. Another factor to be considered is that there are differences between European government donors, NGOs and the US when it comes to partnerships. Humanitarian NGOs have their own agendas as well. It is important for the local people in conflict to find their common ground. Bringing together the different world-views is a large issue that needs to be addressed.

Other cautionary notes voiced by participants included: the danger in viewing everything with a conflict prevention lens - for example, economic development should not be solely integrated under the rubric of conflict prevention; donor policies may cause conflict among organizations competing for funding; donors must realize that working with local NGOs, while optimal, may not always be possible because of differences in political agendas; NGOs must recognize that USAID has to work within the US foreign policy apparatus.

The participants recommended that an all-day conference be held to broaden and deepen the discussion of the issues raised at the breakout session. The agenda would include the realities of the relief-to-development continuum; specific country and regional focuses; ways of integrating conflict prevention work into humanitarian assistance activities supported by USAID, how to define developmental relief; how to prepare the environment in countries for a "developmental response" to conflict; and what impact will the GDA have in this area.

Plenary Session: Reports from Breakout Groups

Global Health

Victoria Sheffield, International Eye Foundation

While the GDA is in its infancy, it is an ideal time for the public to offer input. Even though the emphasis on global health was driven by the HIV/AIDS pandemic, the development

environment is changing: foundations are leading the way, NGOs are more active in partnerships, good corporate citizenship has become a corporate priority, and the World Health Organization is including corporations in alliances. The group participants cautioned against getting involved in “flavor of the month” causes, because important agendas become neglected. Alliances at the community level are also important.

What can USAID and NGOs do to promote alliances in support of global health work?

- Take a more active role in bringing together PVOs, NGOs and government agencies, particularly the Department of Commerce, to promote trade as well as social objectives.
- Promote alliances for treatment and care for people with HIV/AIDS. USAID’s goal should not be limited to prevention.
- Publicize best practices for developing and maintaining successful partnerships and alliances.
- Get public endorsements of alliances that currently exist.
- Support the formation of alliances through symposia and workshops with InterAction, Rotary Clubs, and other organizations. Fund an intermediary to act as a partnership facilitator or broker.

What to look for when creating an alliance:

- Develop indicators for measuring success and techniques for evaluating partnerships.
- Create conflict of interest guidelines that encompass the needs of all partners, including code of ethics, disclosure and background checks.

Economic Growth and Agriculture

Peter Reiling, ACVFA member

The keys for PVOs wishing to engage successfully in partnerships include:

- Be transparent and honest about agendas.
- Do not sugarcoat the business risks in the developing world.
- Make clear what you will and will not do with your corporate partner.
- Never underestimate what your organization brings to the table in a business partnership.

- Always value in-kind contributions, including technology, staff and dialogue, and not just cash.
- The bottom line does rule.

Recommendations to USAID include:

- Work at the policy level to create an enabling environment for economic growth.
- Recognize the need to share governance of joint ventures.
- Promote the inclusion of diverse stakeholders and shareholders in project consultations.
- Accept the value of in-kind contributions to partnerships and develop a way to account for them.
- Convene workshops to transfer best practices and lessons learned.
- Ensure that incentives are in place so that the developmental impacts of partnerships are realized.

**Conflict Prevention and Developmental Relief
Herschelle Challenor, ACVFA Member**

The session focused on two questions: how to develop partnerships and alliances in conflict prevention and developmental relief, and what would be needed within USAID and its NGO/PVO partners to make the efforts successful. There was considerable discussion of the relief-to-development continuum and how alliances might help to broaden the players and sectors involved in the continuum. Charles MacCormack cited examples from Nicaragua and El Salvador. One of Save the Children's innovative partnerships is an arrangement with Microsoft whereby the company makes available personal digital assistants (PDAs) to people on the ground to help during disasters such as earthquakes and floods.

Issues raised by the participants included:

- NGOs should strive to maintain impartiality and neutrality.
- It is important to know who you are and be clear about goals.
- Conflict prevention partnerships are heavily management intensive and require significant human resource commitment.

- The four main components for sustaining alliances include leadership, trust, a specific focus and resources. Resources are no good without the first three components; if you have leadership, trust and a specific focus, resources will follow.
- Successful partnerships can be built around finding a product that is needed in a country and identifying constituents who can be helpful.
- Get the local people - the beneficiaries - working together to identify the areas of common ground.

The following were cited as constraints on alliances:

- There are different legal restrictions for development and relief funds. There is a need to use resources more strategically and in an integrated framework that addresses the root causes of the conflict.
- Donors should be aware that competition and conflict can result from giving resources to some parties in a coalition and not to others.

Recommendations to USAID:

- Convene a conference to listen to NGOs. The agenda should include the realities in the development-to-relief continuum; specific country and regional focuses; ways to integrate conflict prevention work into humanitarian activities supported by USAID; and potential impact of the GDA.

Final Words on GDA, Linda Morse

Ms. Morse thanked the audience and said that the meeting generated many ideas to help refine the concept and message of the GDA. She noted that consultations are still being held with the Office of Management and Budget, the Department of State and Congress, and they will have comments on the GDA plans.

As the elaboration of the GDA proceeds USAID will:

- Look at transaction costs so the whole is greater than the sum of its parts.
- Keep in mind the issue of multiple governance.
- Develop ways to include new and small actors (including indigenous communities) that are vital to development success.
- Consider possible roles for intermediaries in alliances.
- Be aware of corporate issues and potential conflicts of interest and pursue technical and political neutrality to the extent possible.

- Disseminate lessons learned. (Joan Atherton of the Bureau for Policy and Program Coordination is preparing a paper on partnership best practices.)
- Convene consultations and conferences (though the planners are questioning how to structure them - geographic, sector, constituency-based).

Adjournment

Mr. Reese thanked Mr. Natsios, panel participants, ACVFA members and the public for attending the meeting. He encouraged participants to continue to communicate their views on the GDA to USAID staff.

Annex 1

Advisory Committee on Voluntary Foreign Aid

Public Meeting

May 31, 2001 8:45 am - 1:00 pm
Wyndham Washington Hotel
1400 M Street, NW Washington, D.C.

"Development Cooperation in the New Global Context"

Agenda

- 8:45 a.m. **Welcome** *Vista Ballrooms A & B*
William S. Reese, ACVFA Chairman
- 9:00 a.m. **Keynote Address** *Vista Ballrooms A & B*
"USAID's New Approach to Development" *Andrew S. Natsios,*
USAID Administrator
A brief question and answer period will follow
- 9:45 a.m. **Plenary Panel: Alliance Building** *Vista Ballrooms A & B*
This panel will discuss the thinking behind USAID's Global Development Alliance concept and will illustrate through examples the key elements of successful alliances, as well as the constraints to alliance formation. Moderator: Bill Reese
- **"USAID's Global Development Alliance: Business Model for the 21st Century,"** *Linda Morse, Acting Assistant Administrator, Europe and Eurasia, USAID*
 - **"Building Successful Alliances: Lessons and Strategies from Public-Private Partnerships",** *John Costello, President, Citizens Network for Foreign Affairs; Maria Eitel, Vice President, Corporate Responsibility, NIKE, Inc.*
- 10:45 a.m. **Break** - *Coffee in Breakout Rooms*
- 11:00 a.m. **Concurrent Breakout Sessions: USAID's Three New Program Pillars**
Participants will discuss how alliances and partnerships can be used to advance the goals of each sector and will identify opportunities for potential alliances.
- **Economic Growth and Agriculture** *Monticello West Room*

Emmy Simmons, Deputy Assistant Administrator, Center for Economic Growth and Agriculture, USAID; Peter Reiling, President, Technoserve, Inc., ACVFA member; John Flynn, Winrock International

- **Global Health** *Ashlawn North Room*
Joy Riggs-Perla, Director, Office of Health and Nutrition, USAID; Peggy Curlin, President, CEDPA, ACVFA member
- **Conflict Prevention and Developmental Relief** *Ashlawn South Room*
William Renison, Humanitarian Policy Adviser, Bureau for Policy and Program Coordination, USAID; Charles MacCormack, President, Save the Children, ACVFA member

12:30 p.m. **Plenary Session: Reports from Breakout Groups** *Vista Ballroom A & B*

1:00 p.m. **Summary and Conclusion** *Vista Ballrooms A/B* William S. Reese, ACVFA Chairman

Annex 2

Keynote Address: "USAID's New Approach to Development" Andrew S. Natsios, USAID Administrator

Advisory Committee on Voluntary Foreign Aid (ACVFA) Public Meeting May 31, 2001

Thank you very much Bill. It is indeed a pleasure for me to be here this morning for several reasons. The first is that the position of AID Administrator was the most important and the principal job I was interested in taking in the new administration. In fact, it was really the only job I was interested in. The second reason is that I have the privilege of working with a true American hero, Colin Powell. He is, I think, going to be one of the great Secretaries of State, along the lines of George Marshall, who in many ways created the foreign assistance program of the United States.

There is another reason why I am pleased to have this job, and that is the President's commitment. I believe that the President supports the neutrality of humanitarian relief in difficult situations. He also shares our concern about Sudan. Two days after I was sworn in, the President appointed me Special Humanitarian Coordinator for the Sudan, in order to focus more senior-level attention on the human rights abuses, the atrocities, and the horrendous suffering in that country. Now, superimposed on all of that is a terrible famine sweeping across the country that I think is much more severe than is commonly understood publicly. The Administration's policy toward Africa, a subject that's very important to me, is laid out in Secretary Powell's remarks at the University of Witwatersrand in Johannesburg, South Africa, which is available on the Department of State's website [www.state.gov]. That speech outlines a very powerful vision of a development and humanitarian agenda for Africa.

It is also a pleasure for me to be here this morning because ACVFA has had an important role in advising the senior members of the Administration on the views of the nonprofit sector--the PVO community and the NGOs in the United States--over a very long period of time. The role of the nonprofit sector is something I think all of you are interested in or you wouldn't be here this morning.

I can report to you some data from our Finance Office that is of enormous interest to me and is central to understanding where AID is going in terms of our relationship with PVOs and NGOs. The data is not entirely complete because the way in which we code our expenditures is not comprehensive and was set up to account to disparate constituencies. We have several separate accounting systems that we are now trying to integrate into one

unified system, which will be in place in the next couple of years. That makes it difficult to get data together, but based on the data we have now, approximately one-third of AID's total expenditures goes to American registered NGOs, while another third goes to nonprofits including universities, indigenous NGOs and other organizations, such as labor unions and cooperatives. The AID missions provide a good deal of funding to local NGOs that have no western or international base. The nonprofit sector is important to me, and obviously to AID, because we spend two-thirds of our budget on it. In contrast to the European countries, which have a different set of budget pressures, we do a large amount of our work through NGOs.

On my trip with Secretary Powell to Mali, South Africa, Uganda and Kenya, I met with three groups of people in each country: the AID staff, the NGO community, and religious leaders. I think the religious vision, regardless of which tradition you are in, is a very powerful force in the developing world, and we need to recognize that and work with it. It is the western world that has become secularized. The developing world is not a secular culture. I had some useful and powerful conversations with religious leaders in Africa about the AIDS pandemic, about how they are grappling with it from a theological standpoint, from a philosophic standpoint, and at the church and mosque level. They are deeply engaged in combating the spread of this horrendous pandemic.

There are two principal characteristics that mark the post-Cold-War world. We haven't yet characterized, in a positive sense, the period that we are in the middle of right now. The two characteristics are: **globalization** - the intersection of national economies with the international economy of the new global trading system. The increase of the NGO community worldwide and its linkage with AID is also a phenomenon. For example, thirty years ago AID dealt with twenty NGOs. Today, we deal with two hundred, so there has been a tenfold increase in AID's interconnection with the NGO world. It was my world, now it is your world – our world together, I guess.

The second characteristic is **conflict**. I asked the staff at PPC [the Bureau for Policy and Program Coordination] to research how many of the seventy-five countries that have AID missions experienced some form of conflict, major conflict. Two-thirds of the seventy-five missions had major conflicts in the last five years--two thirds! These conflicts are setting back the development process dramatically, because one civil war in one year can do as much damage as an earthquake. The infrastructure is destroyed, hospitals and schools are demolished and the educated people--that is, those who are most mobile--flee and don't return. So the damage being done to the societies by these conflicts is incalculable. While AID has been doing lot of conflict prevention work, it has not been raised to a high level, and I hope to do that over the next four years.

We have announced the four new pillars that I talked about in my congressional testimony, and that I will be discussing even more in the coming months. Where do the four pillars come from? They actually go back to Harry Truman's second inaugural address to which a career civil servant added four points that basically became our foreign aid program. Those four points became the four pillars. Former AID Administrator Peter McPherson also had four pillars that were not quite the same as Harry Truman's or mine. Peter

McPherson's were the instrumentalities by which we do our work; mine focus on the substance of what we do. There is a reason why we are reviving the notion of four pillars. When we try to explain what NGOs and PVOs do, what AID does in the developing world, it generally is so complicated that no one can understand or remember what we are talking about. We haven't gotten our message out to the American people. We certainly haven't done that as well as we could in AID. The four pillars are an attempt to simplify, for public purposes, what we are doing into four areas. Three of them are sectoral; one of them is a way of doing business, and I will talk about that in a few minutes. We are attempting to begin the process of reorganizing the Agency's structure centrally around these four pillars. The budget and finance system and our programming system will be organized around them. In addition to making our work more effective, the idea is that any AID employee anywhere will be able to say clearly and very quickly in two sentences what we do. Even if we simplify and therefore distort to some degree, it will be helpful for the purpose of explaining to the American people, to the Congress, and to the world what we do in terms that are much easier to remember, to conceptualize, and to focus our attention on. Does that mean we are dropping things we are doing? No, it does not. We have a large Global Bureau now, with a lot of expertise, but there is general agreement that it is too big. We are going through a debate right now as to how it might be changed to better reflect what we do.

What are the four pillars? The first pillar is Global Health. What does that include? It includes HIV/AIDS, infectious disease, women's reproductive health, population programming, child survival, nutrition, micro-nutrition, public health, water and sanitation – all of those issues will be in this new bureau. And there is general agreement, I think, that having a Global Health Bureau makes sense.

There is a second area that I want to put increased attention on. We can do our development work, but if there is not economic growth there isn't going to be an elimination of poverty. Poverty, after all, is a function of people's livelihoods being too small. Unless we change family incomes or livelihoods, people will remain poor. We can't decrease poverty without economic growth. Some people would argue as [Georgetown University professor and former USAID Deputy Administrator] Carol Lancaster does in her book [*Aid to Africa: So Much To Do, So Little Done*] that we should turn over the economic growth function from AID to the World Bank. The World Bank and the other multilateral lending institutions do not do development work in the same way that AID does. They may work with us; but they are banks, their function is to lend money. There are lots of things you have to do to prepare countries to trade that banks don't do. AID trains countries' finance ministries and their trade offices on how to enter the global trading system. If you ask African heads-of-state what they most want, it's to get into the global trading system to bring wealth into their countries.

But, if you just increase growth without some redistribution, you will still have poverty. We know from the work we do and the studies that have been done that how you do development can profoundly affect how income is distributed among different populations. The World Bank did a study some years ago that showed that Asian countries have invested in rural infrastructure and thus have a more even distribution of wealth than Latin America has, for example. In Brazil, as of a few years ago, ninety percent of people in

the cities had electricity, compared with only ten percent in the rural areas. In Thailand in the same time period, sixty percent of the urban population had electricity, and forty percent of the people in the rural areas had it. Why? In Asia, investment in rural areas was seen as necessary. We know that investment in infrastructure in schools, roads, electricity and water profoundly affects income levels, livelihoods and development in rural areas. So, we have a role to play--AID has a role to play, all of you have a role to play, in my view--on the economic development side. And thus, the second pillar is Economic Growth and Agriculture.

The second area of emphasis in that pillar will be agriculture, which has been neglected at AID for many years. In 1985, the budget for agriculture--this is in 1985 dollars; it would be even more now--was 1.3 billion dollars. This year, it's three hundred million dollars--a drop of almost a billion dollars in funding in that account. That is a bigger drop than in almost any other AID account. You cannot deal with the income disparity between the wealthy and the poor; you cannot deal with the problem of poor people, particularly in Africa and South Asia; you cannot deal with food security, hunger and malnutrition, unless you invest in agriculture. Agriculture doesn't just mean seeds or soil conditions, it means rural roads to move surpluses around, it means developing world markets, and connecting rural surpluses with port facilities to ship excess grain out.

For example, Mali, which had very high rates of malnutrition for thirty years, last year produced a half-million dollar surplus among small holders in maize. The agricultural development program in Mali, supported by the Rockefeller Foundation, AID and other donor countries, changed a country that suffered from chronic malnutrition to a country of substantial surplus. This contrasts starkly with other countries in the region that have gone from food surpluses to deficits because of poor agricultural development policies. We know that rural investment works, we know it makes a difference, so I am going to put much more focus on agriculture and economic growth than we have had in the past. It will be focused to attempt to address the income disparity problem, to invest in rural areas.

The third pillar is the Conflict Prevention, Democracy/Governance and Humanitarian Response function. Now, how we will organize this Bureau is a debatable question. Some of the democracy/governance people think this function should be in a different bureau. There is a fairly red-hot debate on both sides of the issue. I am hearing from Mission Directors and the private sector community as to how we should structure this function. Let me just say, conflict prevention does not mean stopgap measures two weeks before a civil war or genocide starts. Conflict prevention means, for example, that you design your program to balance resources in a country to avoid situations where anger and rage build up because of great disparity in wealth. There was a study that I am not sure I agree with, that attributed the Rwandan genocide in part to the fact that President Habyarimara focused all of the resources of the central government on his prefecture, and the anger in the rest of Rwanda contributed to the genocide. It would be difficult to prove this, but it is a disturbing concept. In some way we all participated tangentially in one of the most horrific events in the last fifty years in the world, the genocide of Rwanda, an event I will never, ever forget.

We need to do a better job in focusing on those things that we do that have conflict implications to them. We know there are traditional conflicts--actually going back to biblical times--between pastoralists and sedentary agriculturalists. These conflicts continue, and there are disputes over water resources in Jordan and elsewhere in the Mideast. One of the reasons AID is investing in rural infrastructure in the water deficit areas in the Mideast--putting in waste water treatment, water treatment plants, and water systems--is that water will be a source of conflict later even if there is a peace settlement--and I pray there will be a peace agreement. I see the infrastructure project in water and waste water treatment that AID has been running for some time now as a function of conflict prevention in the future. So do not think of that term in a narrow sense.

We are also using the term “developmental relief” because once again we have not dealt very well, in my view, with the relief-to-development continuum posited by Mary Anderson and Peter Woodrow, who wrote the book *Rising from the Ashes - Development Strategies in Times of Disaster*. That book and Fred Cuny’s book *Disasters and Development* argued several years ago that we needed to connect the two. I’m connecting humanitarian response and development in developmental relief. What does that mean? It means putting developmental initiatives inside relief programs.

For example, if we are going to do a seed program, we improve varieties of seed that will increase production levels beyond what they were before whatever caused the seed problem in the first place, whether there was a drought or civil war or some collapse of the agricultural system. There are lots of things we can do. I see Charlie MacCormack here from Save the Children. One of my favorite programs was a million dollar grant our Office of Foreign Disaster Assistance (OFDA) gave Save the Children to re-dig the irrigation ditches in the richest agricultural area in Somalia in the middle of the civil war. And Charlie’s staff asked if the ditches could be extended. I said, absolutely, do it. You mean you want to actually extend an irrigation project beyond where it was before the war started? And that’s exactly what happened. The farmers who participated ultimately benefited from that program, which was both reconstruction and agriculture, and it was done with an OFDA cash grant. At the time, some people said that Congress would never agree. I mentioned it to Congress and they said why wouldn’t you do that? It makes enormous sense. So, the term is developmental relief. Of course, there are certain things we can’t do with OFDA grants. We are not going to be able to rebuild the curriculum of the school system, for example. If you submit a grant application for that, it would not be approved. But development initiatives can be built into OFDA grants.

The final pillar is the Global Development Alliance. Linda Morse, AID's Acting Assistant Administrator for Europe and Eurasia, will be talking about that in more depth later today. I have often thought that because of the profound change in the last ten years in the source of money flows into the developing world, we need to focus more attention on linkages, partnerships, and alliances. You can use any of those terms. I like to use a term that our economists at AID, the few that are left unfortunately, don’t like very much. We will hire more economists. They will tend to get upset when I use this term, but conceptually it is a very useful term. And that is that AID should think of itself in the future as a venture capital fund. We are not going to do all the things that venture capital funds

do. AID tends not to take many risks nowadays because we suffer so much criticism when things fail. But there are some things we've done that have been spectacularly successful, and some that haven't worked. If you want to have an agency that innovates, you are going to have to have some failures. I've told that to Congress and I'm going to say it again. We are going to try some things that won't work and we will try some other things that will work very well for small amounts of money.

For example, Hernando DeSoto's institute on the informal sector in Peru was one-hundred-percent AID funded. People don't know that or they'd talk about it. That's where he started, with AID. Now that was a small investment by the AID mission in Peru many years ago that has caused a revolution in Latin America. DeSoto's group just briefed Hosni Mubarak on the informal sector in Egypt. Aerial photographs showed that houses were being built on agricultural lands. The problem was that all those settlements were illegal and the people had no equity in their houses. Since they didn't own titles, people couldn't transfer the houses. This affects the investment of the country as well as the disparity of wealth in the country. The idea of stimulating the economy through the informal sector started with an AID investment fifteen years ago, and it has been a spectacular success. We are talking with Hernando about how we can expand this to other countries that have the same dysfunctional regulatory system over smallholder property.

So, we are going to focus more on how we can make investments with NGOs and PVOs, with private markets, with foundations. There are a lot of new hi-tech foundations, not quite as big as they were eight or ten months ago when the stock market was doing better, but there still is a lot of money in those accounts and many of those foundations want to work with us. The Bill and Melinda Gates Foundation has placed a senior health person in AID, and Gates Foundation money is being programmed alongside our money in that sector. That's how Bill Gates wanted it. He doesn't want to have a field organization. He wants to program through existing mechanisms, and I know he is working with the NGO community as well. You will hear more about the Global Development Alliance later in the program. That is the fourth pillar. We are debating now how to structure it to inform AID's work. We do these alliances now. We just don't do them in terms of scale and in terms of systematizing AID's investments and expertise. We have developed a dozen very successful partnerships using this model. We have not done it on a very large scale and that's what we propose to do now.

I would like to say something about terminology. I am not going to use the term "sustainable development." That is an arcane term that only NGOs and PVOs, AID staff, and UN agencies know. The rest of the world doesn't know what we are talking about. If you have to explain it, you have already lost the battle. If you say you are doing global health programs, people know what that is; everybody knows what health means in a general sense. When you say conflict prevention, intuitively people know what that means: you want to stop wars that are already started, you want to prevent them from happening. If you have to constantly explain what the terms mean, you are walling out the American people, and the media, and people in the private sector. The word "development" in the United States means raising money for private charity. That's what that word means. You and I know what we mean by it, but it is just not a term that makes it easy for other people to

understand what we do. If you explain that we do economic growth, we do agriculture, we do environmental programs, we do micro-enterprise programs, we perform all of these different functions, people intuitively know what we do. I am going to focus our attention more on what we do, rather than use these generic terms that I think are difficult for people to understand.

The final thing I want to say has to do with our central management systems. I am very interested in management as a pure science. I think part of the reason that Congress-- in both parties across ideologies--has had trouble with AID is that we have not focused enough attention on our central management. Our procurement systems, our personnel systems, our financial accounting systems and our management information systems are not functioning well. Now is that the career staff's fault? No, it is not. They did not create these systems. Some of them were imposed statutorily on us. The systems have developed over the years. They required political leadership to create in the first place, and they require political leadership to change. This will have to happen at my level, so I'm going to be meeting once a week, or once every two weeks depending on my travel schedule, with each of the heads of those four functions of AID until we get them right. But we have to realize that these systems compete with each other in certain ways. Everybody wants certain things out of these systems. Obviously, those of you in the audience today are probably affected more by the procurement system than by any of the others, but those other systems affect you too, even if it is not apparent. The people we hire obviously affects your work as our employees manage your grants, cooperative agreements, or contracts. Our personnel system affects you too. Are there agronomists left in AID? We used to have two hundred fifty-three agronomists fifteen years ago. We had forty when I started a month ago. We have forty-eight now because we just hired eight more. Our technical workforce has decreased except in the health area, where we have maintained our strength.

If you try to optimize the best, most desirable characteristics of each of these systems, you will end up with a more dysfunctional system. Why? Because some characteristics are mutually exclusive--that is, you can't do more in one area without doing less of something else that optimizes another characteristic. For example, in procurement, if we try to increase the access of smaller groups, we will have longer processing time periods, because smaller groups cannot compete with the large groups in the timeframes we have now. I favor more competition and greater inclusiveness, but this will affect efficiency and the length of time that it takes to process awards. We have to think through those issues to decide how we want the system to function best. Improving all of these systems is what I will focus on.

We have a Secretary of State and a President who are very supportive of what we are doing. There will always be some tension between AID and the State Department because our work has a longer-term perspective. Theirs is necessarily shorter-term. State must deal with immediate crises and events. The tension does not mean that AID and State will always be at odds; it means that we have to understand our different perspectives, different timeframes, and different level and kinds of expertise. Overall, our relationship is positive. I am looking forward to the next three or four years, perhaps eight years, and I look forward to working with all of you. Thank you very much.

Annex 3

ACVFA

The Advisory Committee on Voluntary Foreign Aid (ACVFA) was established by Presidential directive after World War II to serve as a link between the U.S. Government and private voluntary organizations (PVOs) active in humanitarian assistance and development work overseas. Comprised of 22 private citizens with extensive knowledge of international development, ACVFA helps provide the underpinning for cooperation between the public and private sectors in U.S. foreign assistance programs.

As stated in its charter, the Advisory Committee's mission is:

- To consult with, provide information to, and advise the Agency for International Development (USAID) and other U.S. Government agencies on development issues relating to foreign assistance in which the U.S. Government and PVOs interact;
- To provide information and counsel to the PVO community on issues of concern regarding their relations with USAID and other U.S. Government agencies; and
- To foster public interest in the field of voluntary foreign aid and in PVO activities

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