

**U.S. Agency for International Development**

---

**Advisory Committee on Voluntary Foreign Aid**

**“Monterrey to Johannesburg and Beyond:  
What the Administration’s New Development  
Initiatives Mean for U.S. Foreign Assistance  
Policy and Programs”**

# **Meeting Report**

**Public Meeting – October 9, 2002**

**ACVFA**

---

**Advisory Committee on Voluntary Foreign Aid**

**“Monterrey to Johannesburg and Beyond:  
What the Administration’s New Development  
Initiatives Mean for U.S. Foreign Assistance  
Policy and Programs”**

**October 9, 2002**

**USAID/DCHA/PVC  
Room 7-06-084 RRB  
1300 Pennsylvania Avenue, NW  
Washington, D.C. 20523-7600  
Tel: 202.712.5979 • Fax 202.216.3041**

**ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID**

**Public Meeting**

**October 9, 2002**

**“Monterrey to Johannesburg and Beyond: What the Administration’s New  
Development Initiatives Mean for U.S. Foreign Assistance Policy and Programs”**

**Table of Contents**

**Welcome and Introduction: WILLIAM S. REESE, ACVFA Chair**

**Introduction: Andrew S. Natsios, Administrator, USAID** **2**

**Keynote Speaker: The Honorable Jim Kolbe, Chairman, Subcommittee on  
Foreign Operations, Committee on Appropriations, U.S. House of  
Representatives** **4**

**Questions and Answers** **14**

**Plenary Panel: “The Global Development Alliance: Using Partnerships to  
Achieve the Vision”  
Moderator: Holly Wise, Global Development Alliance (GDA) Director,  
USAID** **15**

• **Dennis Macray, Manager for Business Practices, Corporate Social  
Responsibility, Starbucks Coffee Company** **15**

• **Peter Burbridge, Senior Advisor, BP** **17**

• **Glenn Prickett, Senior Vice President, Center for Environmental  
Leadership in Business and Vice President, Conservation International** **19**

**Questions and Answers** **21**

**Plenary Panel: “Beyond Johannesburg: Implementing the USAID  
WSSD Initiatives”  
Moderator: Dr. Jane Pratt, ACVFA Member, Past President and CEO, The  
Mountain Institute** **22**

• **Jonathan Margolis, Director, Office of Policy Coordination and  
Initiatives, Bureau of Oceans and International Environmental and  
Scientific Affairs, U.S. Department of State** **22**

• <b>E. Anne Peterson, Assistant Administrator, Bureau for Global Health, USAID</b>	<b>23</b>
• <b>Twig Johnson, Director, Science and Technology for Sustainability, Policy and Global Affairs Division, The National Academies</b>	<b>24</b>
• <b>Griffin Thompson, Energy Team Leader, Office of Energy and Information Technology, Bureau for Economic Growth, Agriculture, and Trade, USAID</b>	<b>25</b>
<b>Panel Discussion</b>	<b>26</b>
<b>Questions and Answers</b>	<b>27</b>
<b>Plenary Session: “Update on The Global Fund to fight HIV/AIDS, Tuberculosis and Malaria”</b>	
<b>Speaker: E. Anne Peterson, Assistant Administrator, Bureau for Global Health, USAID and U.S. Representative to the Global Fund</b>	<b>28</b>
<b>Questions and Answers</b>	<b>30</b>
<b>Reports from Breakout Groups</b>	
• <b>Group 1 “GDA: How can NGOs further stimulate and participate in public-private alliances” Moderators: Charles MacCormack and Dan Runde</b>	<b>33</b>
• <b>Group 2 “WSSD: What do USAID and NGOs need to do to meet the commitments made in Johannesburg?” Moderators: Jane Pratt and Griffin Thompson</b>	<b>34</b>
• <b>Group 3 “The Global Fund to fight HIV/AIDS, Tuberculosis and Malaria” Moderators: Kathryn Wolford and Paul DeLay</b>	<b>35</b>
<b>Appendix A: Meeting Agenda</b>	
<b>Appendix B: Remarks from Andrew S. Natsios, Administrator, USAID</b>	
<b>Appendix C: Breakout Group 1 “GDA: How can NGOs further stimulate and participate in public-private alliances” Session Notes</b>	
<b>Appendix D: Breakout Group 2 “WSSD: What do USAID and NGOs need to do to meet the commitments made in Johannesburg?” Session Notes</b>	
<b>Appendix E: Breakout Group 3 “The Global Fund to fight HIV/AIDS, Tuberculosis and Malaria” Session Notes</b>	

**ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID****PUBLIC MEETING****October 9, 2002****“Monterrey to Johannesburg and Beyond: What the Administration’s New Development Initiatives Mean for U.S. Foreign Assistance Policy and Programs”****WELCOME AND INTRODUCTION: WILLIAM S. REESE, ACVFA CHAIR**

**W**illiam S. Reese, ACVFA Chair, welcomed the ACVFA members, the U.S. Agency for International Development (USAID) staff, and meeting participants. A special welcome was extended to four new members of the ACVFA who were present: Nicholas Eberstadt of the American Enterprise Institute, George Folsom of the International Republican Institute, Ken Isaacs of Samaritan’s Purse, and Kenneth Wollack of the National Democratic Institute for International Affairs.

Mr. Reese remarked that this is the sixth ACVFA public meeting since Andrew Natsios was appointed Administrator of USAID. The past year and a half has been a time of great changes, as reflected in the title of this meeting. Even before September 11, 2001, Mr. Natsios announced four new pillars for USAID at an ACVFA meeting. The ACVFA quickly organized subcommittees around the pillars of conflict management and the Global Development Alliance. There have been substantial new commitments to HIV/AIDS and to agricultural development, which has been a longstanding priority of the Administrator. USAID has undergone a reorganization to make it more effective. The Millennium Challenge Account (MCA) was announced by President Bush in March and the Administration has made new commitments related to the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa.

Together, all these initiatives represent the largest amount of new investment in foreign aid in many years. Programmatically and financially, these are the biggest new initiatives since President Kennedy’s Alliance for Progress, and they are all very hopeful and exciting. However, they must still be authorized and appropriated. The PVO/NGO community wants to ensure that the programs that will implement the initiatives have the greatest possible impact on people. They must reduce poverty in measurable and visible ways. The agenda for this meeting will provide opportunities to discuss what can be done to make these programs work. The meeting agenda is attached in Appendix A.

**INTRODUCTION: ANDREW S. NATSIOS, USAID ADMINISTRATOR**

Mr. Natsios' remarks focused on three areas: the World Summit on Sustainable Development (WSSD), the Millennium Challenge Account (MCA), and the recently released national security strategy.

Mr. Natsios remarked that it is common for people in public office to say that they are at a critical historical juncture. Obviously, that cannot always be true. In this particular case, however, it is true because of the significance of the President's development assistance initiatives. In the speech he gave to the Inter-American Development Bank earlier this year, the President completely changed the debate on foreign assistance. Some of the other donors have criticized the United States for changing the terms of the debate. These critics laud our commitment, but say they do not like the requirements that the President is placing on foreign aid.

Essentially, Mr. Natsios explained, the President believes that there is something wrong with a system that in 20 years has produced only one graduate - Botswana - from the ranks of the world's poorest countries. Experience has shown that giving money to countries based on what they agree to do in the future hasn't worked. A country's leaders may want to reduce poverty, but often are not willing to make the difficult changes necessary to achieve the high rates of economic growth necessary to achieve a reduction in poverty.

With the MCA, the President is changing the paradigm. His plan rewards countries that are making a genuine effort to stimulate economic growth, to reform their political systems, eliminate corruption, and respect human rights. With these policies in place, the infusion of dollars will help accelerate economic growth. By focusing on performance, not promise, the President is changing the nature of the debate in a profound way. The MCA will be an incentive to reformers and a motivation for governments to make reforms.

Mr. Natsios noted that the WSSD and the Doha trade discussions are connected to the goals of the MCA. The President believes that an open trading system is a factor in reducing poverty. The middle and upper income countries reached their current status through trade and investment. USAID is helping developing countries strengthen their capacity to participate in the global trading system; in fact, USAID provides 70 percent of all the funds that are spent on trade capacity building in the developing world. It is widely recognized that USAID does the best job in this area. Representative Jim Kolbe places a high priority on capacity building in trade.

Mr. Natsios summarized the initiatives announced by the United States at the WSSD in Johannesburg. He emphasized that these are tangible efforts with funding behind them:

1. An initiative to cut hunger in Africa, and also in Central Asia, through agricultural development.
2. The Congo Basin Forest Partnership, which involves a series of national parks. Gabon has put aside ten percent of its national territory to protect the rainforest across the central part of Africa.
3. The Clean Energy Initiative seeks to transfer clean energy technologies to the developing world.
4. Support for the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria, in which the United States has been a leader.
5. The Water for the Poor Initiative, which will focus on municipal water projects, among other activities. This includes the West Africa Water Initiative that is actually part of USAID's Global Development Alliance (GDA) started last year.

In fiscal year 2002, USAID invested \$125 million in GDA projects and related partnerships that are leveraging private money from foundations, businesses, universities, NGOs and think tanks for development. Mr. Natsios emphasized that the GDA is not a grant program; rather, it seeks to leverage the massive increases in private sector resources that flow to the developing world from the United States. In 1970, 70 percent of U.S. funds to developing countries was Official Development Assistance (ODA). Today, ODA makes up only 20 percent, while private sector resources comprise 80 percent. This shift is not due to cuts in ODA, but to increases in NGO fund-raising and other private resources. For instance, a recent study estimates that universities provide \$1.2 billion in private scholarships to people in the developing world.

Mr. Natsios also pointed out the huge movement of remittances to the developing world. A study on funding for microenterprises in Mexico found that 50 percent of the funding came from the Mexican-American community in California. People in the United States send money to developing countries all over the world, often at a high transaction cost. USAID and others are beginning to explore ways to facilitate the process to ensure that more of the money actually gets to the people for whom it is intended.

Mr. Natsios enumerated the participants of the West Africa Water Initiative and thanked the organizations and people involved in it. The Hilton Foundation contributed \$18 million, World Vision \$16 million, in addition to large contributions by UNICEF, Lions Club International, the Desert Research Institute, Winrock International, Cornell University, and the World Chlorine Council. Of the \$41 million in this initiative, USAID contributed \$4.4 million. The notion that development has to be public-sector driven fails to understand the profound shift in money flows to the Third World in the last 30 years.

One of the outcomes of the WSSD and the meetings that preceded it, is that there is a growing understanding now in the developing world and among some donors that a performance-based system is a much better system for foreign assistance. Aid alone will not solve the problems; accountability for its use is what makes the difference.

Mr. Natsios praised the U.S. NGO and university communities for their role at recent international conferences, and for focusing on the practical—on what really works on the ground. He expressed his appreciation for the contributions made by U.S. NGOs, PVOs,

universities, think tanks and others to closing the gap between development theory and reality.

Mr. Natsios then introduced the keynote speaker, The Honorable Jim Kolbe. Mr. Natsios remarked that Congressman Kolbe has three major interests. First, he is heavily focused on the issue of trade, recognizing the direct connection between trade, economic growth, and poverty reduction. His second major interest is HIV/AIDS and other infectious diseases, and the progress that can be made through science and medicine. Congressman Kolbe's third major interest--a priority shared by Mr. Natsios--is internal management systems.

The text of Mr. Natsios' remarks is attached in Appendix B.

**KEYNOTE SPEAKER: THE HONORABLE JIM KOLBE, CHAIRMAN,**  
SUBCOMMITTEE ON FOREIGN OPERATIONS, COMMITTEE ON  
APPROPRIATIONS, U.S. HOUSE OF REPRESENTATIVES  
(prepared remarks)

Administrator Natsios, thank you for that nice introduction. I appreciate the opportunity to speak to all of you today. Those of you here who serve on the Advisory Committee on Voluntary Foreign Aid to USAID can and will continue to play an important role in the evolution of our foreign assistance programs. The rest of you in the audience demonstrate by your presence and your professions your profound interest in seeing our efforts for the developing world be successful.

Today, I plan to discuss with you some of the broad foreign policy challenges as I see them, some thoughts on the lessons we've learned about development assistance, and my personal views on how integral foreign assistance is to the attainment of our foreign policy objectives. Finally, I want to share some recommendations with you to consider incorporating into your thinking on how the US should evolve its development strategy for the 21<sup>st</sup> century.

The decade preceding September 11<sup>th</sup> brought many US foreign policy accomplishments and challenges, including: the fall of the Berlin Wall and the drive to integrate the former Soviet Union into the family of democratic and capitalist states, Latin America's need to sustain its movement toward greater economic growth and democracy, the engagement of China into the global trading system, and the development of a world consensus supported by US leadership focused on fighting the global pandemic of HIV/AIDS.

Today, even after all that has occurred since September of last year, we cannot and should not lose sight of those accomplishments and those challenges. Consequently, I am glad to see that a good part of your discussion later today will focus on HIV/AIDS and the Global Fund. You will also focus on public and corporate partnerships as a tactical means to strengthening our overall development effort. And you will discuss – as I will – the most exciting and innovative idea in foreign assistance in a generation, the proposed Millennium Challenge Account (MCA).

But to set the framework of my remarks, let me acknowledge that the emotional and physical impact of 9-11 was enormous. While it did not change most of the foreign policy realities we face, it definitely changed our perceptions of those realities and very much our policy responses to them. Now, we confront escalating public expenditures for homeland security, new private sector costs to help protect critical infrastructure, and all kinds of opportunity costs as security overshadows other priorities. We must work to make sure that the President's Millennium Challenge Account does not fall victim to the war against terrorism.

In the mind of the American public, our foreign policy post 9-11 carries a sense of urgency and priority we have not seen in a decade – perhaps longer. All over America we feel a new sense of vulnerability. As we wrestle, debate, and implement programs to meet those pre 9-11 and post 9-11 challenges, our underlying foreign, national security, and international economic policy objectives remain constant. We continue to believe in and encourage personal liberty and respect for human rights, democracy, pluralism and the rule of law, and broad-based capitalism as the mode of economic development.

We stand astride an important moment in recent history in so many ways. While this phrase is used all too often in public dialogue – a fact Administrator Natsios has noted – it remains appropriate in light of what our country and others have endured or witnessed this last century. Free markets, entrepreneurialism, and an absence of large state central planning has been embraced – albeit still to varying degrees – as the chief means by which nations will improve the quality of life for their citizens. Individualism, markets, and democratic choice have defeated Communist and central planning ideology all over the world, for the simple reason that it was unable to meet the civic and material needs of its citizens.

Today, even as I talk about these positive trends, the House of Representatives is preparing to vote for a resolution to authorize the use of force against Iraq. The foreign policy that the President and Congress are embarking upon in this resolution is very much in the spirit of keeping this progress moving forward.

Several months ago, Brent Scowcroft, NSC advisor to former President George Bush, commented that America's future security and prosperity in the world depends on how well we can change the trend lines in parts of the world post 9-11. In his view, problems transcend the obvious tension between Islam and the West to ones focused on how the world has become more fractured and tensions among its various pieces have started to increase. One indicator of the fragmentation relates to the number of countries in the United Nations. When the UN was born in 1945, it had 51 member nations. Now, its membership has swelled to 191.

However, I would note that even as the world has become more fractured into a kaleidoscope of nation states, it has become more united along key democratic and free market dimensions.

In 2001, Freedom House noted continued gains in democracy in its annual report. Measured by the degree of political and civil liberties, the number of free countries has

increased from 65 in 1990 to 86 in 2001. Two and a half billion people, 40% of the world's population live in these countries. The organization noted that the 40% of people living in freedom is the largest in the history of its survey (some 20 years). But with that statistic of course, we also must see the reverse which means that 60% of the world's population do not enjoy the same level of political and civil freedom as we do in the United States.

Freedom House also notes that the number of partly free countries increased from 50 in 1990 to 59 in 2001. These are defined as those where limited political and civil liberties are combined with negatives such as corruption, weak rule of law, and a dominance of one political party. Some 1.4 billion people, or 25% of the world's population, live in these countries. Despite the need to continue to push for expanded freedom, there is progress.

Although there is clearly some weakening in the belief in free markets, in developing and developed countries alike, we must see it in context. GATT (the General Agreement on Tariffs and Trade) at its inception in 1947 had 23 nations as original signers. Now, the World Trade Organization (WTO), its successor, has over 140 members. That represents a large number of nations subscribing to the principles of capitalism and global trade. Amazingly, developing nations represent 80% of the WTO. The WTO reports that international trade increased from \$1.8 trillion in 1983 to over \$5.5 trillion recently.

General Scowcroft also has made some insightful comments on challenges of globalization. For some 20 or 30 countries, the prospect of globalization offers a great promise of development. For the rest, it offers just a growing divide. Simple statistics are illustrating this trend: 40 years ago the world's 20 richest countries had per capita incomes that were 20 times greater than those of the world's 20 poorest countries. Now that number is 37 times greater.

The term globalization gets thrown around a lot. I owe you my definition. My working description is this: the increasing integration of the world brought about through expanded international flows of trade, investment, labor, capital, knowledge, information, and technology. In essence, it is the expansion of capitalism, or of free market principles in practice.

In the minds of some, globalization remains an evil phenomenon. We just witnessed another round of protests here in Washington at the recent World Bank and IMF meetings. The target of these protests was the capitalist system itself. While the emotions and passions of these protesters stem from real concerns and fears, we must not lose sight of the fact that the US – and the international community – have an overriding foreign policy interest in deepening global integration and making it sustainable. Why? Because it can help generate the benefits that can allow us to attain our development and foreign policy objectives. “Is global integration here to stay?” is not – in my view – a question which is still in doubt. The answer is definitely yes.

As many of you know, it was only in this Congress that I assumed the chairmanship of the Foreign Operations Subcommittee. It has been a terrific challenge and opportunity to

play this leadership role on behalf of my party and the House chamber. I continue to enjoy the excellent working relationship I have forged with my ranking member, Nita Lowey. Despite these very partisan times and occasional disagreements, we have managed to work in a bipartisan way, and two years running have assembled an appropriations bill both of us could support.

Over these last two sessions of Congress, I sometimes think of accomplishments of the 107<sup>th</sup> Congress in the area of foreign assistance. Certainly, many in the Executive branch and you in the audience share credit for those accomplishments. And while the FY 2003 appropriation process is stalled for the time being, I am sure that when the dust settles foreign assistance levels will not be reduced from the bill's general total.

If we assume the levels in the bill adopted in the House Appropriations Committee, the child survival account will have increased from a little over \$1 billion in 2001 to \$1.7 billion in 2003, an increase of \$700 million or 60%. This large increase was accomplished even with a moderate increase in development assistance from \$1.3 billion in 2001 to \$1.4 billion in 2003, an increase of a little over \$100 million or 10%. On HIV/AIDS, funding has more than doubled in spending, growing from \$315 million in 2001 to \$786 million in 2002. Over the 2002-2003 period, if one assumes at least the House Foreign Operations level of \$250 million (an amount higher than the Senate at present) for the Global Fund, plus if \$100 million is provided from the 03 Labor HHS bill (the bill has not been written yet), then the US will have contributed \$650 million in total to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

Certainly, these are significant investments in fighting the pandemic but it is clear that much more will be necessary. UNAIDS estimates that programs in developing countries and countries in transition will need to have about \$10 billion annually to fight the pandemic by 2005 – just three years from now. All national governments, including and specifically the US, will have to increase the amount of resources they plan to budget and dedicate to fight this disease.

However, while I personally take some satisfaction in these foreign assistance accomplishments – as do many of my colleagues and as you should – I can say that their impact will pale in comparison to a single vote (10 years in the making) and the continuation of one international economic policy. In my 18 years in Congress, it was the most dramatic vote I have ever worked. When first considered on the House floor, the vote was open for 48 minutes. It passed on two occasions by a single vote. In my opinion, it was the most important development assistance vote in last 10 years.

What vote and what law do you think I am referring to? I am referring to Trade Promotion Authority or TPA for short. This vote was all about the future. It gave the President the confidence to lead and gave us the best tool to shape the challenge of globalization. Why do I think that TPA vote will have more of an impact than our investments in development assistance? Most of our development assistance investments will fall far short of their objective – if not be completely wasted – unless there are economic and political systems to sustain them and generate economic growth as a result. We may positively touch a few lives, but we will see little long-term improvement in the

quality of life for the people of the developing world. The traditional forms of assistance may make us feel good but they will not have lasting impact unless other economic tools work.

Trade promotion authority, on the other hand, can dramatically make a difference in the developing world if it is used as a powerful lever to truly generate free trade between developed and developing countries alike. But while I just identified what I thought was the most important vote in our efforts to reduce poverty, allow me to share some lessons we can use to improve the delivery of our development assistance. There are four I want to highlight:

- First, it is not the quantity of foreign assistance that is important to development.
- Second, it's all about a focus on economic growth.
- Third, we need to work more on better governance.
- And fourth, the need for a laser focus on what works. We are anything but focused right now.

Let me examine those four lessons in more detail.

### **Lesson #1: It Is Not The Quantity Of Foreign Assistance That Is Important.**

America has given over \$167 billion (in constant 1999 US dollars) in official development assistance (ODA) to 156 countries, regions, and territories since 1980. Of those 156 countries, we have data for per capita GDP between 1980 and 2000 for 97 of these countries. These countries received over \$144 billion in inflation-adjusted ODA since 1980. These 97 countries had a median inflation adjusted per capita GDP of \$1,076 in 1980, but only \$994 in 2000. That means that there has been a decline in real terms.

No relationship – no link – is apparent between economic growth and the levels of official development assistance. One study noted that between 1980 and 2000, 23 recipients of US official development assistance received amounts equivalent to one quarter of their entire gross domestic product in 2000. I'm speaking only of US assistance; it does not include aid from other nations or the World Bank. Growth in per capita GDP for these countries averaged -0.16 percent, with 12 experiencing negative growth, and only 4 experiencing growth over 1 percent.

In another study, a former World Bank development economist found a similar lack of relationship. Bill Easterly noted that between 1950 and 1995, Western countries gave \$1 trillion in aid in constant 1985 dollars. He concluded, after studying investment and growth patterns in over 80 countries in a similar time frame, "Among all low-income countries, there is not a clear relationship between aid and growth."

You should note the time frames of these studies – 20 years and 45 years. We're not talking about expecting quick results after a year or two of assistance. These are long term studies and long term results. Simply put, the focus on the amount of aid is

misplaced. Tax policy, regulatory policy, anti-corruption, transparency, and the rule of law matter far more in a developing country than the amount of development assistance.

## **Lesson #2: It's All About Economic Growth.**

Let me take a moment to review some recent success in the area of poverty reduction, other key improvements in development measures, and a quick look at the geographic areas where we have seen success. In 1990, 29% of the world's population lived on income of less than \$1.00 per day. In 2000, it was 23%, a 6% point drop. The absolute number of people living on less than \$1 per day has declined even as the world population has increased. An interesting fact I would note is that this has occurred even as there was a decline of 30% in the level of official development assistance over the last decade or the same time frame.<sup>1</sup>

Some other development indicator improvements are important to recognize as well. Between 1990-1999, adult illiteracy rates in low-income countries for males aged 15 and above decreased from 35% to 29%; and for females aged 15 and above, the figure declined from 56% to 48%. While only 30% of people in the developing world had access to clean drinking water in 1970, today about 80% have. Wages and conditions have improved as economies have grown. In 1970, 35% of all people in developing countries were severely malnourished. In 1996, the figure had fallen to 18% and the UN expects the figure will continue to fall.

Why have we seen this success? The answer will be found in raising personal incomes and economic growth. It is an increase in personal incomes that enables us to achieve all of our other aspirations for the developing world. And raising personal incomes comes with broad-based economic growth. Look at the big success stories around the globe; most of them did not receive US aid. China's growth has been consistent at 7% - 10% over the last decade. There has been sustained significant economic growth in countries such as Indonesia, Vietnam, Brazil, and Mozambique. Some countries have even managed to double GDP per capita, including Botswana, Chile, Thailand, and Korea. None are major aid recipients.

How do we best help countries achieve broad-based economic growth? Economic growth is only possible with capitalism, investment, and trade. Trade, open financial markets, and investment are good for the poor. Empirical research of the World Bank shows that during the last decade income per capita in developing countries that have focused on capitalism and that participate in the global trading system grew more than three times faster than countries choosing not to participate.

A key question you might ask: "Did that growth benefit that country's society at large – or only the elites within that country?" The answer: the World Bank found that the benefits of that economic growth were evenly distributed through the population strata of those countries. As a result, the absolute poverty rates for trading nations have also fallen sharply over last 10 years. Indeed, history has shown that countries that have embraced

---

<sup>1</sup> Data taken from statistics shared by Dr. Francis Rischar of the World Bank.

democracy along with capitalism and participation in the global trading system have experienced the highest economic growth and generated the highest quality life for their citizens. And that of course, leads me to the third lesson.

### **Lesson #3: Good Governance Matters.**

Free markets and trade alone are not sufficient. Case in point is Latin America where countries have been moving in a free market direction for the last decade but economic growth has remained elusive. Some have suggested that the growth of the early 90s appears to have been an aberration – a few years sandwiched between the lost decade of the 1980s and the lost second half-decade of the 1990s. As a result, popular acceptance of free markets and democracy across Latin America is less certain. However, we should not allow this failure to generate better rates of growth to affect the belief these societies have placed in capitalism.

The power of free markets as a tool of development cannot be exercised without the right policy environment. Thomas Friedman, the Pulitzer prize winning diplomatic columnist of the New York Times explains it this way: countries must have a good governance "plug" to integrate into the global economy. A poor quality or corroded plug simply will not integrate with the expectations of a global capitalist economy. A critical governance component relates to creating a corruption-free environment. Corruption undermines economic growth. You cannot have sustainable development without rule of law.

This is very much true in Latin America. Historically, gross inequities of wealth and income in the region have created political environments that allow bureaucracies to manipulate the economy to benefit the few. As a result, pockets of both political and economic instability stretch from Haiti to Argentina. We should not be surprised that the incentives exist for the traditional authoritarian left or right to reverse the direction toward free markets and more effective democratic governance.

### **Lesson #4: The Need To Remain Focused.**

At a multilateral and bilateral level, we have been ensnared in a cycle of "do everything development." Bill Easterly, in his article "The Cartel of Good Intentions" says it very succinctly. For low-income countries, the IMF requires a Poverty Reduction Strategy Paper (PRSP). Niger's recently completed PRSP is 187 pages long, took 15 months to develop, and sets out spending for a 5-year poverty reduction plan. The PRSP in turn must be compliant with the World Bank's Comprehensive Development Framework, a 14-point checklist covering everything from lumber policy to labor practices. This framework covers clean government, property rights, finance, social safety nets, education, water, arts, roads, cities, tax policy. Policy makers seeking aid must complete a litany of reports – often duplicate or similar reports for multiple institutions.

All of this is incredibly inefficient. The document emerging from the Monterrey conference contained 73 separate development recommendations, including such ambitions as establishing democracy, equality between girls and boys, – and yes – peace

on earth. The Johannesburg WSSD Conference includes some 185 recommendations. And finally, it is present in the development and implementation of the Millennium Development Goals.

Now, with those four lessons in mind, what do I think should be the role of our development assistance? Before addressing that question, let me first take a step back and articulate how I see US foreign assistance as an integral component of our overall foreign and national security policy. I often relate our total foreign assistance – all of that in the foreign operations bill – as one leg of a three-legged stool providing a sturdy US foreign policy. Each leg is essential for the stool to carry the weight of the policies projected and coming together at the top. One leg is that of our diplomatic corps and intelligence services; another relates to national defense and security strategy; and the third has its core in our foreign assistance.

Our foreign assistance in a macro-sense plays multiple roles within our foreign policy process. At its first level, the foreign assistance leg can be used as a vital tool for easing the suffering of people around the world. At a more nuanced level, it can enhance health, education, and national infrastructure. In light of security challenges to the United States, we can also link the foreign assistance leg of the stool to the national security leg by using it in the form of Foreign Military Financing. But, of even more importance, it can and should nurture the structures of capitalism and the rule of law – making it possible for the poor to participate in market economies and for poor countries to participate in the global economy.

I believe this is the role we should want development assistance to play. If experience shows that successful development is driven by a country's ability to access and use all its available resources for economic growth – and particularly those that relate to integration in the global economy – then we must strategically align development assistance to the accomplishment of that end. Our development assistance should serve as a catalyst to help countries prepare for greater participation in the global economy.

I believe it is time to move beyond the debate on the quantity of foreign assistance to a focus on economic growth and helping countries maximize the benefits of participating in the global economy. Knowing that we have a tendency to ask developing countries to accomplish all of our bilateral objectives at the same time, it is imperative that we remain focused. That should result from a reflection on how we need to break out of the trap of “do everything development” Bill Easterly identified.

Let me conclude by giving a few recommendations for our development assistance programs. Some of these recommendations relate broadly to our programs, others convey a sense of how I think we should develop and implement the President's MCA initiative. These recommendations are applicable to all of us who share a concern about global economic progress and social justice – in the Executive branch, the legislature, and the private or non-profit sectors.

## Overall Suggestions On US Development Assistance

First, let's be sure that our expectations and definition of success are aligned with our development experience. All too often, advocates for development assistance argue that success is only a matter of additional resources. But experience tells us otherwise. Decades of development experience have demonstrated that resource transfers – without an environment of effective political economy – will generate poor results. Our policy development and our advocacy must place an emphasis on those policies that will generate success – not simply the addition of more resources.

Second, the United States must generate a development policy that is more holistic in outlook. Two pillars must be elevated in importance. US policy must recognize trade and foreign direct investment as development tools. Economic growth must become its own objective and must be strongly integrated into the fabric of our development programs.<sup>2</sup> Historically, we have just focused exclusively on increases in foreign assistance and debt relief as the chief drivers of development. I would argue that giving developing countries access to the markets of the US, Europe, and Japan creates a self-reliant path while aid is a donor development path. Imagine if Sub Saharan Africa had an additional 1% of international markets. That would mean that this region would have \$70 billion more in resources in the form of income and revenue earned through international trade.

Our domestic discussion on development must consider the potential cost of failure in the new round of trade talks (launched in Doha) or of failure in negotiations for US free trade agreements with Central America or the countries of southern Africa. The World Bank has calculated that a successful round of global trade negotiations, coupled with related market reforms, could add a whopping \$2.8 trillion to global income by 2015 – much of it in developing countries.<sup>3</sup>

This is a message that some in the foreign assistance advocacy community will not want to hear. We have become so devoted to the assistance programs we each represent. However, as a representative of Oxfam International has said, the “playing field is not level.” It slopes down hill from developed countries. Therefore I say, if we are serious about development, we have to be serious about trade.

On the MCA initiative of the President, I look forward to receiving the details from the Administration so that it can be evaluated carefully. I was privileged to accompany the President to the Monterrey Conference where he emphasized his commitment to the developing world. While the details are only beginning to emerge, I am very supportive of this initiative because it would create a new paradigm of development assistance – one

---

<sup>2</sup> This is particularly true for many African countries where HIV/AIDS is actually projected to reduce GDP growth rates making the situation of responding to the pandemic even more challenging.

<sup>3</sup> “Faster integration through lowering barriers of merchandise trade would increase growth and provide some \$1.5 trillion of additional cumulative income to developing countries over the 2005 to 2015 timeframe.” 2002 Global Economic Prospects, World Bank, page xiii.

that puts a premium on making certain investments in assistance occur in a context of effective political economy.

As the Administration continues to work on this new initiative, I would offer these suggestions. It should consider offering MCA awardee countries special consideration for expedited bilateral trade preferences (like with the African Growth and Opportunities Act and the Andean Trade Preference Act) or the option of negotiating a free trade agreement with the United States. It should offer developing countries the prospect of ownership of their development strategies with US assistance. In exchange for ownership, developing countries should be willing to accept the fact that MCA resources may be withdrawn if criteria for eligibility are not maintained or results not achieved. It should aim to build and reinforce the governmental capacity of recipient countries to manage their development. In establishing the MCA, we must minimize the administrative bureaucracy and bureaucratic requirements in the delivery of assistance. Once countries qualify, the MCA should complement current assistance efforts, but most importantly, should generate a focus on economic growth and self-sufficiency.

And finally, it should aim to make sure development and economic opportunity are extended to those currently outside the formal economy. By this I mean that the rule of law, property rights, and the ideas of Hernando DeSoto should be incorporated into the MCA as an objective and development goal. The promise of capitalism as a tool for economic development and poverty reduction can never fully be achieved as long as large populations have no stake in the capitalist mode of development.

As all of us – but particularly the administration and the Advisory Committee – consider the FY 2004 budget, I would offer a couple of additional suggestions for your consideration. These are intended to generate debate and deliberative thought. I know they will be considered controversial but there are serious issues behind these suggestions. First, we might want to consider a one-year time out on further increases in infectious disease funding to assess the ability of USAID, private partners, and the Global Fund to effectively manage and coordinate the massive increases over the 02-03 period.<sup>4</sup>

Second, we might consider downgrading the role of the multilateral development banks and UN agencies (other than the Global Fund and the UN food programs) for the next few years as we learn to utilize the Global Fund and the Millennium Challenge Account. As part of this, we might not want to renew support for Asian and African Development Banks unless they agree to provide 25% of funding as grants.<sup>5</sup>

---

<sup>4</sup> This suggestion is in the context of very serious management challenges USAID & the Global Fund face broadly in the context of human resources, financial management, and procurement -- specifically in the context of absorbing and deploying massive resource increases. For more information on USAID, please see House Report 107 -663 on the FY 2003 Foreign Operations, Export Financing, and Related Programs Appropriations bill.

<sup>5</sup> In the agreement for the 13<sup>th</sup> replenishment of IDA of the World Bank, the USG was successful in realizing a number of advances long advocated by Congress, one specifically relating to the change allowing up to 21% of IDA's resources on a grant basis.

In conclusion, I wish to again commend you all for your dedication to improving our foreign assistance policy. Your work and interest is essential to the improvement of the quality of life of millions of people living in the developing world. As you continue discussions and leave here today, I encourage you to think about my thoughts and suggestions. I firmly believe we are going to have to think outside the box in our development assistance programs. The reality is what we have tried in the past has not worked. In light of the challenges we face, there is a sense of urgency for new ideas and tools.

Again, thank you for the opportunity today to address you as a group.

### **QUESTIONS AND ANSWERS:**

**Lynn MacDonald** from the Solidarity Center, AFL/CIO, remarked that Mr. Kolbe's speech did not include reference to labor and environmental standards which are often considered non-market institutions, yet essential to economic growth.

**Mr. Kolbe** stated that he believes that labor and environmental standards are important, but they should not be imposed from the outside. Mr. Kolbe remarked that writing those standards into trade agreements is counterproductive. When per capita income in a country reaches of level of \$4000 to \$6000 there is attention given to environmental concerns and a larger investment can be made at that time. Countries need to be able to provide basic health care, education, and food before they can focus on the environment, but it is important that it be done.

**George Folsom**, ACVFA member, asked if the U.S. goes to war with Iraq how should the ACVFA work with USAID on post-conflict reconstruction?

**Mr. Natsios** commented that he would prefer to leave that discussion to another ACVFA meeting.

**Jim Henson**, ACVFA member, asked Mr. Natsios to comment on the strategy for aligning the MCA with development objectives, particularly agricultural development.

**Mr. Natsios** responded that much of what is being done in agriculture addresses the microeconomic structure for development, including transportation, education, and health. These all affect the capacity to produce, process, distribute, and market food. There is also a connection between a rich, indigenous civil society and the level of corruption in societies that slows development. A rich civil society is in the longer term an essential part of a mature democracy because civil society can constrain abuse and affect government policies.

**PLENARY PANEL: “THE GLOBAL DEVELOPMENT ALLIANCE: USING PARTNERSHIPS TO ACHIEVE THE VISION”****MODERATOR: HOLLY WISE, GLOBAL DEVELOPMENT ALLIANCE (GDA) DIRECTOR, USAID**

Ms. Wise opened her remarks by stating that the panelists would provide some concrete examples of GDA partnerships. GDA is positioned to respond to the change in the world's resource flows and increased private investment in developing countries. Ms. Wise used a pie chart to illustrate the changed investment flows: whereas 30 years ago Official Development Assistance (ODA) accounted for 70 percent of resources to developing countries, currently 80 percent of those resources comes from private sources and only 20 percent from ODA. With more resources at play and more people involved in development there are more opportunities and more assets to get the job done.

**DENNIS MACRAY, MANAGER FOR BUSINESS PRACTICES, CORPORATE SOCIAL RESPONSIBILITY, STARBUCKS COFFEE COMPANY**

Mr. Macray provided a brief background of this alliance involving Starbucks, Conservation International (CI) and USAID. Mr. Macray remarked that CI manages the relationship with USAID. He showed the audience a newly packaged bag of shade-grown Mexican coffee that was produced under this project, which aims to have an impact at the point of origin of the coffee, but also to demonstrate a market-driven solution.

Background on the company and specialty coffee:

Starbucks has a strong mission statement that includes contributing positively to communities and the environment. This set the foundation for this partnership. Today Starbucks has over \$3 billion in annual revenues. The company has more than 5,000 stores in 28 countries with 60,000 employees. Starbucks serves about 20 million customers each week. Coffee is grown on 400,000 square miles, mainly in the tropics in developing countries. Coffee is the second most heavily traded commodity after oil. More than 15 billion pounds of coffee were traded last year. However, Starbucks operates in the specialty coffee industry, which trades approximately half a billion pounds per year. More than 50% of coffee is grown on small family farms of less than ten hectares. Starbucks buys approximately 1% of the specialty coffee in the world. According to World Bank estimates, there are probably 25 million people in the world dependent on the production of coffee.

Mr. Macray remarked that the health of Starbucks depends on having a high-quality product. That requires healthy inputs in terms of labor, natural resources, and the ecosystem that must support it. High quality coffee does not necessarily come from highly technical sources of production. Therefore, conditions that conservation and biodiversity create are very appropriate for small-scale coffee farming and the production of the high-quality beans that Starbucks requires to stay in business. Moisture, humidity,

biodiversity, and natural pest management are essential to the sustainability model that goes from bean to cup.

Some examples of Starbucks' strategy include purchasing the product, partnership with like-minded organizations, and long-term investments in developing countries. Starbucks has partnerships in the U.S. for domestic programs, as well as international projects currently with CI, CARE, Coffee Kids, Calvert Community Investment Foundation, and previously with Enterprise Works. In the past week Starbucks announced support to Mercy Corps International through Tazo Tea to improve conditions for women and children on tea estates. These are efforts undertaken by Starbucks that need to be adopted and replicated by others in the industry. Starbucks cannot solve the world's problems with individual programs in select regions. The company depends on working with other organizations to find solutions.

Mr. Macray commented that Starbucks entered into this partnership with CI very carefully. The company had experience working with other NGOs in the past, some positive and some negative. Starbucks looked for a partner that would help the company fulfill three objectives: a resulting product, long-term commitment, and long-term financing. CI initially wanted to help Starbucks sell coffee, but the company already knew how to do that and, instead, was seeking assistance in meeting the objectives of its core philosophy of contributing positively to communities and the environment (i.e., building the capacity of its suppliers and preserving the coffee-growing environment). The company was not seeking good publicity to enhance its business. Starbucks is committed to making an impact and to sustainability at origin. The first memorandum of understanding with CI was signed in late 1998 after extensive discussions that began in 1997. The project was designed as a three-year program to meet the needs of producers in an area where both CI and Starbucks had an interest.

Starbucks has provided a total of \$750,000 since 1998. Starbucks was concerned about getting involved in a project where the company would be expected to sell coffee that did not meet its high standards. After a couple of years two containers of coffee were delivered. Today the project sites provide more than 40 containers of specialty coffee per year. That represents 100% growth in exports for those small family farms. There has been a 60% growth in participating cooperatives. Credit has been made available to the cooperatives and to farmers on a continual basis. Starbucks' connection to conservation is really related to the sustainable economic development that must exist in the specialty coffee supply chain. A healthy crop means a healthy income that provides for healthy families and in turn provides an incentive to protect areas of high biodiversity.

Mr. Macray remarked that Starbucks' business model requires the company to be socially responsible. Conservation makes sense from a business standpoint. Experience has shown that transitioning to organic farming is economically viable for specialty coffee farmers. The debilitating effects of poverty require the smart use of human capacity and natural resources. Starbucks' hope is to work more closely with USAID, CI, and other organizations to expand this project to reach other needy communities.

Mr. Macray shared some of the lessons learned from this project for NGOs:

1. Demonstrate a specific need and find corporate partners that are a natural fit.
2. Be clear about goals and objectives. Think beyond check writing and link the project to the company's business goals.
3. Make the project beneficial to the beneficiary base. Involve farmers in project design.
4. Get it right and figure out successes before sharing it broadly.
5. Small, nimble organizations can often do more for a company than a large NGO.

Mr. Macray encouraged companies to sign a very strong MOU with organizations with which they do business. The MOU should hold both of the organizations accountable for inputs and results.

Some of the roles that USAID could play include brokering relations, facilitating meetings, helping prospective partners to understand the sectors that USAID would like to engage, using corporations for their expertise, and working with partners to design efficient, effective programs.

Mr. Macray stated that he would like to see USAID develop more partnerships with corporations. Companies operate under many constraints and cannot carry out these development efforts alone. It makes sense to work together. Corporations need more indication that the government is really concerned with conservation and agricultural issues.

Mr. Macray urged the U.S. government to regain leadership in environmental conservation. Companies are limited in what they can do, and yet they see ecosystems being destroyed so that people can meet short-term subsistence needs. The U.S. should provide leadership in promoting long-term, ecologically sound solutions.

#### **PETER BURBRIDGE, SENIOR ADVISOR, BP**

Dr. Burbridge spoke about the public-private BP alliance with USAID in Tangguh, Indonesia. The project deals with natural gas production and refining. It represents the largest investment in that province in twenty years. It will necessarily create changes in the social, economic, and cultural structures of the province. The gas in question is underneath a bay in the Bird's Head Region. The gas will be exported to the mainland where there will be a liquid natural gas processing facility.

Dr. Burbridge remarked that the big challenge is the fitting of an energy development program into a very fragile society. It is fragile in the sense that it is relatively undeveloped, it has great biodiversity and complex ecosystems, and it has a very bifocal type of economic development. The coastal areas have had much more interaction and trade with other societies than the upland areas. These are two very different cultures. The challenge is to create a responsible energy development program and at the same time make sure that development is a force for good.

To that end, BP has engaged in a dialogue with a wide variety of organizations to create an approach that is efficient as a source of energy development and appropriate for that culture. Traditionally, energy development would be the focus for other forms of economic expansion. However, this concentrated economic development can become extremely difficult to manage and can create a major disruptive force. In this case, BP has adopted a different approach that seeks to distribute the economic development more widely. The local people said they want economic development but they also want to preserve tribal lands and don't want a major infusion of people from outside the area. The local people supported the idea of working together to create a different approach.

Dr. Burbridge said that BP developed a “diversified growth strategy.” The strategy is designed to use the gas as a catalyst for long-term economic growth. Gas is a non-renewable resource, but the revenues, if used wisely with good governance can stimulate new forms of economic growth in sectors where the resources can be sustained - for example forestry, fisheries, and agriculture. In that sense, this liquid natural gas development project is really a force for long-term development in the region. It will not be a major employer. Once the construction phase is completed the project will only employ approximately 350 people. The real resource from this project is revenue from the sale of the gas.

Dr. Burbridge remarked that 70% of after-tax revenue will go back to the province to be used as public capital for investment in health, roads, education or whatever the local people decide. The local government must think about this resource and how it will be used wisely. Much of the project's effort at the moment is helping to improve the governance capacity within the civil sector and their capacity to use the wealth wisely to promote economic growth. BP views this as part of its corporate responsibility.

The GDA has provided a timely opportunity for the public and private sectors to get together to make sure that good development happens. Through the GDA, BP will be harnessing the knowledge, wisdom, experience and the technical abilities of USAID to work in concert with NGO partners to deliver improvements in government, fiscal management, spatial planning, and other components of responsible regional development. The GDA tries to increase the capacity of people to plan for their own development. The roles of the partners are quite important. Each brings resources to the project. USAID will focus on developing governance capacity and BP will work with communities to make sure development is socially and culturally responsible.

This GDA includes BP, USAID, and the British Department for International Development, which will focus on natural resources management and poverty alleviation. There is a nice complement of groups working together in this region to improve the natural resources management capacity and economic capacity. However, the governance capacity must be there to facilitate the wise use of revenue for economic growth.

Dr. Burbridge stated that BP is concerned that there should be international oversight of this project. An international panel of experienced and knowledgeable people will provide guidance. BP has also developed a broad partnership of international NGOs that

will provide advice, guidance, and also criticism. BP is working with local NGOs to develop a natural resource management strategy, communicate with local groups, and carry out biological surveys. In closing, Dr. Burbridge stated that BP welcomes the scrutiny of colleagues from the NGO community.

**GLENN PRICKETT, SENIOR VICE PRESIDENT, CENTER FOR ENVIRONMENTAL LEADERSHIP IN BUSINESS AND VICE PRESIDENT, CONSERVATION INTERNATIONAL**

Mr. Prickett remarked that there is a great deal of interest on the part of the private sector in supporting conservation of biodiversity. He noted that USAID was the first international development agency to support conservation and sustainable development twenty-five years ago. It is critical that USAID maintain that leadership in the years to come. Mr. Prickett remarked that he was very pleased to see the emergence of the GDA and USAID's efforts promote private sector involvement in sustainable development.

CI was founded fifteen years ago with a mission to protect the earth's biodiversity. CI recognized from the beginning that most biodiversity is concentrated in areas of great poverty, where economic development is the number-one priority. CI realized that it had to promote conservation solutions that also promoted economic development. Over the last fifteen years the private sector has become the primary player in that process.

Mr. Prickett remarked that globalization is a double-edged sword. Globalization is not new, but the pace and the pressure on the resource base is much greater today. Over the last decade there has been a dramatic increase in the number of oil and gas concessions, mining concessions, logging concessions and agricultural plantations in ecologically fragile areas. This is good news in the long-term for the economic health of those societies, but it presents some very real challenges for the environment and biodiversity in the short-run.

On the positive side, Mr. Prickett stated that there is now more interest by the private sector in being involved in biodiversity conservation, mainly for solid business reasons. That has been the experience of Starbucks, BP, and many other corporations. In today's world, industry leaders are vulnerable to internet-linked activism from shareholders and environmentalists around the world.

Two years ago CI set up the Center for Environmental Leadership in Business to engage the private sector in creating conservation solutions. Mr. Prickett stated that Bill Ford, the CEO of Ford Motor Company became involved and eventually Ford stepped in and provided a very generous grant to get the Center started. CI's vision is that industry and environmentalists can collaborate to create business practices that will reduce the negative impact of industry on biodiversity, contribute to conservation, and create business value for the company. If this idea is to work it must show some very tangible business benefits for companies. The Center has a strategy focused on biodiversity, global climate change, and water. It has tried to zero in on some of the major industries

that have an impact in fragile areas, including oil, gas, mining, agriculture, forestry, and tourism.

Mr. Prickett commented that in its work with the oil industry and the coffee industry, CI's leading partners have been BP and Starbucks. Mr. Prickett remarked that the Energy and Biodiversity Initiative (EBI) was set up to define new business practices and to integrate biodiversity into the oil and gas industry. A soon-to-be-released EBI report will focus on four key issues:

- ◆ What is the business case for companies to get involved in conservation?
- ◆ Where should companies operate and what are the factors that make an area too sensitive for oil and gas development?
- ◆ What are the best practices to minimize environmental impact and how should impact be measured and reported?
- ◆ What can companies do to contribute positively to conservation?

According to Mr. Prickett, the BP partnership in Indonesia is the first tangible project to demonstrate these EBI principles. One very exciting part of the partnership is BP's effort to support conservation on a provincial scale by providing the initial funding for the Papua Conservation Fund. The Fund is now an independent entity and will be used to make grants to local conservation and development organizations to build local capacity.

The Starbucks partnership is also very important. This partnership provides a good example how globalization connects Americans' lives to developing countries on a daily basis. CI started working with Starbucks in Chiapas, Mexico. They were able to shore up the traditional shade-grown coffee system in this area. Starbucks entered into the partnership because the company knew it had customers interested in buying shade-grown coffee. It is now working in other biodiversity hot spots around the world including Colombia, Costa Rica, Panama, Peru, and Indonesia. Starbucks was also instrumental in developing conservation principles for coffee production. Over time Starbucks hopes that all of its coffee will be brought up to higher social and conservation standards. CI and Starbucks are now trying to reach out to other leaders in the coffee industry to convince them to adopt similar standards.

### **Mr. Prickett shared some lessons learned for NGOs:**

- ◆ These partnerships can work, but they are difficult.
- ◆ It is important to identify common interests.
- ◆ There is a need to be very flexible and open.
- ◆ NGOs may get a lot of grief from others in the NGO community for "selling out."
- ◆ NGOs must be ready to be scrutinized by the business community and held to agreements on the delivery of concrete results.

Mr. Prickett remarked that USAID has an important role to play in stimulating these alliances, but it will take a different approach. USAID needs to step back, create

relationships and then let the NGOs and businesses do the work. Mr. Prickett noted that strategic early funding from USAID can be key to the success of projects. The Office of Private and Voluntary Cooperation's Matching Grant program under Martin Hewitt played a significant role in CI's success. More of this type of challenge grant would be helpful.

Mr. Prickett also noted that at the end of the day there is still a need for public money for biodiversity conservation. The private sector cannot do it alone. Those public funds are under threat today and need to be shored up. Mr. Prickett shared a final lesson for the NGO community. NGOs must give up the turf battles and work together. More can be accomplished collectively than individually.

**Ms. Wise** remarked that these stories represent a small subset of the GDA. There were 75 new alliances in the last fiscal year. Most of them represent a very different way of operating for USAID. The GDA is not intended to replace public money with private money, but to focus the public money in strategic ways to complement private investment.

#### **QUESTIONS AND ANSWERS:**

A participant asked Mr. Macray to comment on the fact that coffee is cultivated under heavy pesticide use, which can pose residual health risks and local environmental risks. He inquired whether Starbucks was moving toward more organic products.

**Mr. Macray** replied that one of the key contributions of the partnership with CI was the development of sourcing guidelines that contain incentives for suppliers to use less chemicals and pesticides, as well as a premium that will be paid to switch to organic farming. Although much of Starbucks coffee is organic, it is not always viable for producers and retailers to label the product as certified organic in the U.S.

A participant asked what corporate influence BP might have in establishing corporate responsibility in a situation where it is not the major partner.

**Dr. Burbridge** responded that BP had a great deal of influence in the Indonesia project. If BP has a significant investment, it will apply its high standards to the project.

**Mr. Prickett** noted that site selection is very difficult. When companies look at a site they have to weigh many issues. CI is trying to define the risks that companies face, as well as the biodiversity parameters.

A participant asked if companies had a concern about getting "too close" to the government.

**Dr. Burbridge** replied that there has not been a major concern about working with USAID. The challenge was well beyond the realm of what a company normally tackles. BP looked at USAID as a resource with the technical expertise and capacity to help them achieve their objectives. BP is not a substitute for local government.

**Ms. Wise** stated that an MOU is a non-legally binding instrument. Roles and responsibilities are laid out in the MOU, and that is their value. If USAID gives a grant to an NGO, the legal document is the grant document. There is an important role for USAID in bringing various partners to the table. Ms. Wise also noted that MOUs often change as relationships develop.

**Dr. Burbridge** added that the MOU must be framed by all stakeholders and must lay out the roles and responsibilities of each partner.

### **PLENARY PANEL: "BEYOND JOHANNESBURG: IMPLEMENTING THE USAID WSSD INITIATIVES"**

**MODERATOR: Dr. JANE PRATT**, ACVFA MEMBER, PAST PRESIDENT AND CEO, THE MOUNTAIN INSTITUTE

Dr. Pratt remarked that the United Nations declared 2002 as the International Year of the Mountain because mountains are some of the most ecologically fragile and threatened areas in the world. Mountains shelter over half of the world's biodiversity and provide over half of the world's fresh water resources. But, Dr. Pratt stated, mountains are threatened by mining, timber extraction, and other extractive industries. The Mountain Agenda started at the Earth Summit in 1992 and has been called one of the salient achievements of the post-Earth Summit process, most remarkably for the partnerships that have been developed. These partnerships have included universities, research institutions, governments, the private sector, NGOs and other civil society representatives. Dr. Pratt remarked that it was a pleasure for her to see the emergence of partnerships as a theme at Johannesburg.

**JONATHAN MARGOLIS**, DIRECTOR, OFFICE OF POLICY COORDINATION AND INITIATIVES, BUREAU OF OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Dr. Margolis began his remarks by noting that he would offer six observations: the first three related to what came out of the World Summit on Sustainable Development (WSSD), and the last three to the question of "where do we go from here."

Dr. Margolis' first three observations were:

1. WSSD reaffirmed central concepts put forward at the Doha Trade discussions and the Monterrey meeting on Financing for Development. WSSD was part of a continuum of meetings that emphasized the importance of good governance, sound financial policies, and investing in people. Sustainable development is part of the broader efforts underway on development.

2. WSSD produced a strong plan of action, agreed to by consensus, that outlines key steps in all major sectors of sustainable development.
3. Perhaps the most important outcome of the WSSD was the focus on partnerships and the concrete steps that governments, NGOs, businesses, and civil society will implement to move forward on these issues. Recently, the United Nations counted 250 partnerships for development that resulted from the Summit. WSSD emphasized actions and implementation.

Dr. Margolis remarked on three implications for implementation:

1. Within the U.S. government there must be a team approach. The many USG agencies and departments have roles to play. Also the U.S. government needs to do a better job of coordinating outreach and involving the private sector, NGOs, and others in partnerships.
2. The U.S. government needs to change the way it works with other countries. There must be a give and take with other countries, involving them as partners rather than expecting them to agree to the U.S. plans and proposals.
3. The multilateral system is facing a great challenge to engage civil society. The multilateral institutions are being stretched to involve NGOs and businesses in the discussion. That is a tremendously challenging, but empowering concept.

**E. ANNE PETERSON**, ASSISTANT ADMINISTRATOR, BUREAU FOR GLOBAL HEALTH, USAID

Dr. Peterson's major effort at Johannesburg was to make the case that health is an integral part of sustainable development. Clearly, disease hinders development, and public health and preventive measures promote it. Dr. Peterson's focus was to bring the message that good development can't happen without good health, and to explore ways to work on this in partnership. It is also very clear that major diseases cannot be conquered without partnerships.

The U.S. team went to WSSD with some set deliverables. They focused on HIV/AIDS, tuberculosis, and malaria, working from the President's commitment to the Global Fund, his recent announcement on preventing mother to child transmission, and the significant increase in funding for bilateral health programs.

While there was a clear agenda for health relative to sustainable development, the environmental participants were still focused on environmental issues. AIDS was initially underplayed, since there are other venues for discussing AIDS. Dr. Peterson and her colleagues conducted numerous press conferences and meetings to talk about the role of health in sustainable development. Over the course of the WSSD they began to get this message across to various audiences.

Dr. Peterson reported that there were some unexpected opportunities that arose at the WSSD, mainly from the business sector. Many big businesses have already taken on health as an issue, both in terms of their workforces and consumers. What was unexpected were corporate offers to contribute in ways other than funding or workplace wellness for their employees. For example, Shell Oil offered to do scenario planning. Dr. Peterson looks forward to following up on these exciting partnerships in the coming months.

**TWIG JOHNSON, DIRECTOR, SCIENCE AND TECHNOLOGY FOR SUSTAINABILITY, POLICY AND GLOBAL AFFAIRS DIVISION, THE NATIONAL ACADEMIES**

Dr. Johnson remarked that the WSSD was an “everything” summit and that is really what is needed today. Dr. Johnson said that he would not talk about projects, because he believes that USAID and the U.S. foreign assistance program does that better than anyone else in the world. He also commented that these accomplishments are almost invisible to the U.S. public.

There is a need to be articulate and think smart. The development community now has many examples of what works, what doesn't work, and why. Looking at project evaluations, problems have been identified between purposes and goals. There is a need to look beyond sector objectives in order to achieve the development objectives. It is very difficult to do this under the current system, and yet these connections must be made.

Dr. Johnson stated that one of the weaknesses in the U.S. government right now is the lack of leading edge capacity in science and technology. This capacity is necessary in order to advocate policy changes. Host country governments also need this capacity and need to communicate it in a way that can be absorbed by the political community. There is a need to use quantitative measures and to follow the example in health and invest in indicators. What is also needed, however, are sound qualitative analyses by knowledgeable individuals. That is the type of information that moves most decisions.

Dr. Johnson called for a critical look at Official Development Assistance (ODA), including examining how much money left the U.S., and how much was allocated strategically to bend development curves in population, health, education, incomes. Probably very little of that money was actually invested in strategic ways to change those numbers. It is now a national security issue to bend those development curves, to change the health, food, agriculture, and energy statistics. However, it will be hard to make the connections that really matter in changing the development statistics. It is much easier for Congress to put money into technical, sectoral, or interest packages.

Dr. Johnson noted that there has never been a time like this, when there are so many high-level government officials committed to development. However, if these are the goals, there is a need to question why spending a particular amount of money in a particular way in a particular part of the world over a two-year term is the right thing to do.

**GRIFFIN THOMPSON, ENERGY TEAM LEADER, OFFICE OF ENERGY AND INFORMATION TECHNOLOGY, BUREAU FOR ECONOMIC GROWTH, AGRICULTURE, AND TRADE, USAID**

Dr. Thompson remarked that from the perspective of the energy community the Johannesburg summit was a success because it elevated the visibility and the level of discussion about energy. Development cannot be successful without more attention to energy development and use. The WSSD underscored the recognition that energy is central to development. This represents a sea change since the Earth Summit. At that conference, energy was peripheral; in Johannesburg it was central.

According to Dr. Thompson what was most significant at WSSD was the way of doing business and doing development. The themes and characteristics of the GDA are strikingly similar to what was done, and is continuing, with public/private partnerships that arose at the WSSD. In Johannesburg, the U.S. government put on the table a very robust and vibrant partnership that covers the multiple dimensions of energy development. The deliverable is entitled "The Clean Energy Initiative: Powering Sustainable Development from Village to Metropolis." It contains three components.

The first component is the Global Village Energy Partnership that addresses the fundamental issue of access. Access to modern energy services is the ultimate priority. In the world today, one out of three people lack such access and it is clear that high levels of sustainable development will not be achieved without such access. The Global Village Energy Partnership is an ideal model for moving forward in terms of governance, working with NGOs, the private sector, and multilateral and bilateral institutions in more effective and efficient ways.

The second component addresses energy efficiency and technologies designed to maximize efficiency. It makes very little sense to increase access to energy if it is not done in an environment that is energy efficient. The third component focuses on healthy homes and communities. This component examines the health dimension of energy consumption, both inside and outside the home.

Each of these three components is led by a different agency: USAID, the Department of Energy, and the Environmental Protection Agency respectively. There is a very strong interagency group that includes these three agencies as well as other government agencies working on this effort. The force of the entire U.S. government is being brought to bear on implementing these partnerships.

In closing Dr. Thompson remarked that WSSD illuminated the linkages between energy and the development agenda. Now there is a need to move forward from rhetoric to actual progress on energy in sustainable development.

**PANEL DISCUSSION:**

**Dr. Pratt** emphasized that partnership initiatives did not begin in Johannesburg. People were involved in planning long before the WSSD. It wasn't the culmination either, as now is the time to implement these initiatives. Dr. Pratt asked the panelists to reflect on three questions about implementation:

1. How has the process of preparing for and participating in the WSSD changed or enhanced your collaboration or cross-sectoral efforts?
2. Is there any sign of increased collaboration between government agencies?
3. Is there a discernible change in the day to day work with those outside of government, particularly NGOs and corporations?

**Dr. Thompson** replied that within USAID, the energy team is working with colleagues in health and democracy and governance. Breaking down barriers is not easy, but WSSD provides the impetus for change. In terms of interagency cooperation, differing philosophies remain, but there is a willingness of attitude and a commitment from senior staff. That is cause for optimism. On the third question, there has certainly been an increase in outreach to NGOs and the private sector. What Dr. Thompson found fascinating over the past year is the percolation of new ideas from everyone.

**Dr. Peterson** offered the following response:

1. Within USAID health has been the fastest area of expansion. Global Health Bureau staff have been working very hard to cross barriers and to look at the impact of HIV/AIDS on other sectors such as agriculture, education, disaster assistance, and microenterprise.
2. With regard to collaboration between government agencies, the U.S. had a phenomenal interagency group for WSSD. They were able to demonstrate how U.S. government agencies can work together on health and sustainable development. This process built some new and unexpected relationships and could be considered a model of interagency collaboration.
3. USAID works extensively with NGOs in health. That didn't change much as a result of WSSD, but interaction with the business sector was profoundly changed.

**Dr. Johnson** remarked that the WSSD provided new opportunities for these kinds of partnerships within, between, and outside of government agencies. If people are really serious about cooperation they will build it into their budgets. The WSSD certainly strengthened the collaboration between agencies. The challenge is to maintain that cooperation. Frequently the agenda is more complex than a sector or division can address alone.

Dr. Johnson stressed that the development community, both public and private, does a terrible job of advocating for foreign assistance with the U.S. public. This is absolutely essential in order to change those development curves.

**Dr. Margolis** commented that virtually every initiative that the U.S. government put forward at WSSD was a joint effort of various agencies. The WSSD forced the U.S. government to recognize that there were two processes going on in Johannesburg. One was the standard negotiating of the diplomats. The other was a parallel process of setting up programs and partnerships, negotiating actions, and putting into place processes to get the job done. This process didn't result in a document, but in plans and commitments to results that will actually happen.

### **QUESTIONS AND ANSWERS:**

A participant observed that the fact that the conference was "everything" was seen by some as a weakness. She asked the panelists to comment on that issue, as well as on cooperation between the U.S. government and other governments and organizations.

Responding to whether the plethora of issues was a strength or a hindrance to the summit, **Dr. Margolis** responded that while it made the summit process extremely difficult, it forced all actors to forge linkages for implementation. Dr. Margolis suggested that follow-up to the Summit will likely be strengthened as a result.

**Dr. Peterson** agreed that it was sometimes confusing and hard to keep up with everything that was going on at WSSD, but it provided an incredible opportunity to meet with other people from other sectors. It is important to learn how to bridge those gaps. WSSD was instrumental in moving the U.S. team ahead in working with other countries and in building relationships. Talking with one another about partnerships pushed some discussions far ahead of what would have happened otherwise.

**Elise Smith**, ACVFA Member, remarked that the ACVFA has had a strong interest in cross-sectoral programs. She asked for advice on how to systematically promote cross-sectoral work within USAID.

**Dr. Peterson** replied that the HIV/AIDS sector is clearly having an impact on other sectors. The budget for HIV/AIDS has increased significantly. Setting aside money for partnership purposes is good, although the Global Health Bureau is still under-funded for actual health purposes. Simultaneously there is a need to recognize that other sectors are also being decimated by this disease.

**Dr. Johnson** remarked that it is important to keep working on these partnerships even though they are difficult.

**Dr. Thompson** noted that encouragement from Mission Directors in being more elastic in definitions and crossing sectors is helpful.

A participant asked if there was an emphasis on slowing population growth to promote sustainable development at the WSSD.

**Dr. Margolis** remarked that WSSD was not an environmental conference, but a broadly defined sustainable development conference. Social issues were looked at, but there was

not a lot of discussion of population issues, which can be extremely volatile. There was remarkable restraint showed by people in not focusing the conference on a single issue.

**Dr. Peterson** added that there was a session on population that did get a little controversial. Clearly, large population growth can be a negative for development, but it is also the case that population growth can spur development. Most USAID work in family planning focuses on maternal and child health and was discussed as part of the larger sustainable development discussion.

**Dr. Johnson** said that some issues are best discussed informally. The WSSD provided a venue for people to talk informally and highlight ways to get results.

A participant commented that in order to implement sustainable development it is important to have the involvement of the country.

**Dr. Pratt** concluded that this brings the discussion back to Mr. Natsios' comments about the importance of institution building and capacity strengthening. Dr. Pratt noted that there is enormous creativity going on in all sectors. She urged participants to think of ways to capture that learning and feed it back into institutions and capacity building mechanisms.

## **PLENARY SESSION: "UPDATE ON THE GLOBAL FUND TO FIGHT HIV/AIDS, TUBERCULOSIS AND MALARIA"**

**SPEAKER: E. ANNE PETERSON**, ASSISTANT ADMINISTRATOR, BUREAU FOR GLOBAL HEALTH, USAID AND U.S. REPRESENTATIVE TO THE GLOBAL FUND

Dr. Peterson commended ACVFA for taking on the issue of HIV/AIDS. She began with an update on USAID's HIV/AIDS programs, noting first that the Global Fund is a financing mechanism, not an implementation mechanism. It will not be successful without robust bilateral programs and the commitment of governments to implement those programs.

Dr. Peterson stated that the U.S. has strong bilateral programs in HIV/AIDS. USAID has been reorganized and health is now a separate bureau. The HIV/AIDS office has a terrific staff and a growing budget. Earlier this year they put together a revised implementation plan for expanded response to HIV/AIDS. They are looking at how best to focus resources in order to make the most impact and turn the epidemic around.

USAID programs have expanded from 17 to 23 countries. There have been increases in field staff and expanded monitoring and evaluation. A new area is the expansion from the focus on prevention to some efforts in treatment and care. USAID is doing more in the area of orphan care and starting to do hospice care as well as prevention programs.

The Agency will soon start some demonstration projects with anti-retroviral (ARV) treatment in low resource areas.

Dr. Peterson remarked that in June the President announced the international mother and child initiative, aimed at reducing HIV/AIDS in infants born to infected mothers. USAID will be working in partnership with the Department of Health and Human Services in that area. USAID also recently signed a grant with the Elizabeth Glaser Pediatric AIDS Foundation aimed at reducing mother-to-child transmission.

USAID is looking at human capacity and how to scale-up small projects. The Agency is also looking at how to deal with the decimation of the workforce including health workers. These issues cannot be addressed without working with new and different partners. Dr. Peterson noted that partnerships leverage monetary resources, but they also bring an incredible group of dedicated people. USAID has been reaching out to community and faith-based organizations as partners. The response from those groups has been great. USAID is facilitating some of these public/private partnerships through a new grants program that provides small grants to community groups.

The business sector has also stepped up to address HIV/AIDS. So far, mostly large businesses have become involved, but partnership opportunities with smaller, local businesses have begun to appear. Another partner that is vital to getting the message out on the HIV/AIDS problem and solutions is the media. While dealing with the media can be challenging in some aspects, organizations must learn to use the media in the fight against the pandemic.

USAID is exploring a potential partnership with the first ladies of African countries. The first ladies signed a statement of intent to overcome stigma in their countries. USAID is also working in biomedical areas, funding the International AIDS Vaccine Initiative. These are some of the areas that USAID is addressing in its bilateral program.

Dr. Peterson recapped some background about the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria. The Global Fund idea was first announced by UN Secretary General Kofi Annan last year, and within a very short period of time it became a reality. There was a call for proposals, and the resulting proposals were reviewed by a technical review committee at the Fund's April 2002 board meeting. At that point there were \$613 million worth of proposals. The first countries from the initial round of successful proposals are likely to receive funding within the next few days.

The amount of resources dedicated to the Global Fund must be seen against the scope of program need. It has been estimated that \$7-10 billion will be needed to fight the disease. The United States is regularly questioned as to whether the \$7-10 billion applies to the Global Fund. The \$7-10 billion is an estimate of global need, not the need for the Fund or from any one country. Dr. Peterson emphasized that responsibility for addressing the disease is a joint effort shared by all countries. The U.S. government is contributing \$1.1 to \$1.2 billion per year for international HIV/AIDS efforts. The resourcing share that the Global Fund sees itself taking will be discussed at the upcoming Global Fund meeting.

Dr. Peterson also emphasized that the Global Fund is not a UN organization. It is a financing institution that is designed to be fast and flexible. It will take some strong efforts to ensure that it stays fast and flexible under an international board with divergent interests.

Dr. Peterson discussed what the U.S. government has done to facilitate the Global Fund. From the very beginning, the U.S. lent staff, convened technical working groups, and designated its representation at the highest levels. There is a strong commitment at all levels to ensuring that the large U.S. investment pays off in successful projects. The problem is too important and too many people are suffering to have any of the money get wasted on efforts that don't work. Accountability and putting together good strategies are very important.

The U.S. has made a commitment to help countries put together good proposals that will actually make a difference, and to work with governments and partner organizations to make sure that the implementation succeeds. The overall message is that the U.S. government is working very hard to make the Global Fund a success. It is a public/private partnership from the top to the bottom. Recipient countries are required to have a country coordinating mechanism. These mechanisms must be real and functioning.

Dr. Peterson summed up the important characteristics of the Global Fund:

- ◆ It is a new entity.
- ◆ It has worked quickly.
- ◆ It is going to take a lot of hard work to make it succeed.
- ◆ It is an incredible opportunity to leverage new resources and do business in a different way.

## **QUESTIONS AND ANSWERS:**

**Stephen Moseley**, ACVFA member, asked what are the chances that Congress will undermine the funding for traditional bilateral programs by giving money to the Global Fund (since it is fast and flexible) or the MCA.

**Dr. Peterson** replied that the Global Fund is supposed to be complementary to bilateral programs in country. Proposals are supposed to take into account the activities of the country and the donors. Now some USAID programs are looking at how they can complement the Global Fund programs. It will change the dynamics in every country. It comes down to a question of where to put scarce resources – in the Global Fund or bilateral programs, but the Global Fund can't be effective if there aren't bilateral programs. There is a need for both. The U.S. is the only country that has increased its funding to the Global Fund *and* increased bilateral funding for HIV/AIDS. In other countries there has been some shift away from bilateral programs towards the Global Fund. That has not been the case in the U.S.

With regard to the MCA, Dr. Peterson noted that the worst health problems are often in countries without good governments. The MCA probably won't be operating in those countries, but bilateral programs and NGOs can address those needs. It is hoped that the MCA will provide an incentive for countries to improve their governance to become eligible for MCA monies, which should help their strategies become more effective.

**Jim Henson**, ACVFA member, asked how USAID keeps abreast of emerging technologies for control and treatment of HIV/AIDS and other infectious diseases.

**Dr. Peterson** replied that keeping abreast of new technologies is absolutely critical. USAID has a fair capacity in-house. The Agency has links to the National Institute of Health and others that develop technologies. USAID is also working on getting new technologies out into communities. Some technologies never get beyond the pilot project stage. It took 20 years for oral rehydration therapy to become common practice in the health field. In the case of HIV/AIDS, it must be done faster than that.

**Charles MacCormack**, ACVFA member, asked Dr. Peterson to describe what the U.S. government and the Global Fund are doing to head off disaster in India and China.

**Dr. Peterson** responded that this issue has been under discussion. Should the focus be on the high-prevalence countries in Africa, or on low-prevalence countries where the spread of the disease could affect massive populations. The National Intelligence Council identified five countries that are considered the next wave -- China, India, Russia, Nigeria, and Ethiopia. Four of the five are already USAID priority countries in which USAID had recently doubled funding for HIV/AIDS. USAID just received word that it may be able to begin work in China through the Mekong Regional Initiative. Given the size of China, the most important contribution may be to demonstrate the tools that have been used elsewhere and how they might be adapted to the setting in China. Political leadership in all of these countries will make a huge difference.

**Kathryn Wolford**, ACVFA member, inquired about factors and processes setting the standard for success of the Global Fund, especially in relation to new modes of coordination and of NGO participation.

**Dr. Peterson** replied that if the Global Fund does nothing else, many countries that didn't have national HIV/AIDS plans, now have put one together and have convened a country coordinating mechanism. That has brought about many new partnerships between governments and NGOs. The critical factor now is how the grant money will be distributed within each country. Those policies and partnerships will be a big factor in whether or not these programs succeed. At present USAID's local presence will be one way to determine whether the country's coordinating mechanism is real and workable.

**Ken Isaacs**, ACVFA member, asked Dr. Peterson to address accountability, monitoring, and evaluation in the field.

**Dr. Peterson** remarked that there has been some consensus on overall indicators for the Global Fund. Most proposals were five-year projects, but the Global Fund only grants

funds for two years. By the end of the second year countries will have to show substantive actions before they can get further funding. In two years there will not be a big impact, but there should be some measurable changes. In the process of funding the first proposals the board is also looking at the need for strengthening the monitoring and evaluation requirements.

A participant asked how the private sector and NGO representatives were selected to become Board members.

**Dr. Peterson** answered that this is another fascinating, but controversial issue. The board has representatives from seven developed nations, seven developing nations, and four non-governmental positions, including developing country NGO, developed country NGO, private sector, and foundations. There was a strong feeling that each group should determine how to select its members, but even in this process, some countries and groups have felt left out.

A participant inquired about disbursement of funding and which countries will be Global Fund recipients.

**Dr. Peterson** replied that she expects that four countries will soon receive checks and the official announcement will be made at that time. Regarding disbursement of funds, the first stage should be fairly quick. The funds will be disbursed from the World Bank to a local fiduciary agent. The limiting factor has been identifying the local fund agent. The real time lapse may occur as parties within a country vie for how much of the grant they each receive.

**Stephen Moseley**, ACVFA member, asked if there is new thinking that will lead to new paradigms, such as working with the media to bring about behavior change in countries.

**Dr. Peterson** responded that USAID is doing broad communications as part of ongoing behavior change and prevention programs in many countries, working with media in many of the countries. The media can be a positive partner, once people begin to care about an issue. The U.S. public likes to read about health issues, so there is a natural fit for media attention. Other countries show similar interest.

A participant asked Dr. Peterson to comment on working with civil society in China.

**Dr. Peterson** stated that there is a Chinese member of the board who has been very active in contributing to the discussion. There are probably potential NGO partners in China, but the limiting factor might be the link between the local NGOs and the government in a formal coordinating mechanism.

A participant stated that last year one of the biggest NGO concerns about the Global Fund was transparency. He asked if there is now a mechanism to publish information so that other organizations will know how to collaborate.

**Dr. Peterson** remarked that this issue is under discussion by the board. The U.S. government is emphatic that there must be transparency in everything and that at least the successful proposals should be available on the internet.

A participant commented that at the Barcelona conference the most profound theme was “where is the money?” He asked if the U.S. has a plan to use its influence to encourage other countries to contribute their share.

**Dr. Peterson** answered that the U.S. is setting an example for other countries by increasing its funding. Some other countries want to wait to see if it works before putting money into the Global Fund. It is important, therefore, for the Fund to show it is a viable mechanism.

**Ted Weihe**, ACVFA member, asked Dr. Peterson to describe the strategy for implementing the President’s initiative on mother-to-child transmission.

**Dr. Peterson** replied that the initiative is focused on ten, but expanding to 14 countries. The program is be \$500 million overall. The hoped for 2002 supplemental funding did not appear. The funding issue now is whether it will be funded year by year. USAID and the Department of Health and Human Services will be sharing the funding. The countries are in the Caribbean, Haiti, and sub-Saharan Africa. These are countries that have both high prevalence and sufficient infrastructure to implement the programs. In the President’s initiative, the mother-to-child transmission program is primarily a clinic-based approach, so the clinics must be in place. This can dramatically reduce the incidence of babies born with HIV/AIDS. As the infrastructure is available, the program will expand to using anti-retroviral drugs in the clinics. But preventing mother-to-child transmission of HIV is not just about ARVs.

In conclusion, Dr. Peterson stressed that the U.S. government is absolutely committed to working as hard as possible to make sure the Global Fund succeeds.

## **REPORTS FROM BREAKOUT GROUPS**

Summaries of the discussion in each breakout group can be found in Appendices C, D, and E, respectively.

### **GROUP 1:**

**TOPIC: GDA: HOW CAN NGOs FURTHER STIMULATE AND PARTICIPATE IN PUBLIC-PRIVATE ALLIANCES?**

**MODERATORS: CHARLES MACCORMACK AND DAN RUNDE**

The group agreed that changes in the resource flows to developing countries over the last thirty years present a great opportunity for PVOs.

**Discussion and Recommendations:**

- ◆ There are ways to mitigate the risks of these public/private partnerships by doing one's homework, including understanding the goals and objectives of the partner organization.
- ◆ There was a very helpful commentary about ten steps for successful partnering (see detailed breakout group notes in Appendix C).
- ◆ Whether a PVO goes forward or not with partnering, the onus is on the organization to think “why not” do this if it will relieve suffering?
- ◆ There is a need for PVOs to trust the private sector, but also for PVOs to be trusted by the private sector. The PVO must have an expertise and be able to deliver what it proposes.
- ◆ Expectations of field staff should be in line with what the main office is proposing.
- ◆ The opportunities for public/private partnerships are going to continue to increase in the future.
- ◆ Partnerships are not simple; they require work.
- ◆ The size of a PVO does not determine participation. To the extent that a PVO does a very good job in a particular country there is a good chance that the PVO could become an alliance partner. Since most alliances will be focused on specific countries or regions, the advantages are not completely dependent upon size.

**GROUP 2****TOPIC: WSSD: WHAT DO USAID AND NGOs NEED TO DO TO MEET THE COMMITMENTS MADE IN JOHANNESBURG?****MODERATORS: JANE PRATT AND GRIFFIN THOMPSON****Discussion and Recommendations:**

- ◆ NGOs/PVOs from the U.S. need to work together more.
- ◆ One challenge to implementation is trying to work in countries that lack good governance, rule of law and basic legal infrastructure.
- ◆ There is a lot of work to do in the U.S. in the area of constituency building. The American public does not understand these issues and therefore is not vocal with policymakers. Constituency building was not discussed at WSSD.

- ◆ There is a need for the State Department and USAID to identify the WSSD objectives, and to communicate those objectives widely.
- ◆ The NGOs/PVOs need to be brought in early in the planning and development of these programs.
- ◆ USAID needs to get the word out about these projects, through websites, meeting announcements, and in-country briefings. The PVO community should be present when governments get together to talk, so that civil society is involved.
- ◆ The WSSD, MCA, and the financing for development conference should be looked at as one package. With the conclusion of three major meetings this year there is a need to get a good, solid position from U.S. policymakers so that everyone is on the same sheet of music.

### **GROUP 3**

#### **TOPIC: THE GLOBAL FUND TO FIGHT HIV/AIDS, TUBERCULOSIS AND MALARIA**

**MODERATORS: KATHRYN WOLFORD AND PAUL DeLAY.**

The dynamic presentation from Anne Peterson helped to stimulate discussion in this group. There were approximately 50 participants from a wide variety of organizations.

#### **Discussion and Recommendations:**

- ◆ The Country Coordinating Mechanism (CCM) is a new, untested mechanism. What can be done in terms of capacity building and positive incentives that would help strengthen those mechanisms at the level of implementation and monitoring?
- ◆ There are institutional development tools in other sectors that could be very applicable in building partnerships across sectors.
- ◆ Too much money, if not properly managed, could actually undermine or distort local capacity and initiatives already underway on the ground.
- ◆ There is a strong role for USAID and the Centers for Disease Control (CDC) in terms of measurement, evaluation and helping to ensure that countries are actually doing what they proposed.
- ◆ There should be a consideration of time as well as resources available to help strengthen proposals and cooperation at the local level.
- ◆ There was a discussion around the focus of the Global Fund and the relationship of HIV/AIDS to poverty and other issues. There was a sense that one has to look at the HIV/AIDS issue within the context of broader development challenges and goals.

There were some fears about overloading the Global Fund in its infancy when it needs to have a strong focus to prove that it can deliver.

- ◆ Civil society has a role in making sure that the Global Fund really meets the needs of the people. Strengthening the capacity of local NGOs to be involved in the CCM is important. The Global Fund should take into account not only institutional based responses like clinics and schools, but also community based approaches, especially in rural areas.
- ◆ There is a concern that the CCM may not always include the NGOs and civil society groups at all levels.
- ◆ The capacity and role of civil society in terms of analysis and accountability should be strengthened.
- ◆ In regard to transparency, information on both successes and failures should be shared via the internet to facilitate implementation, communication, and learning.
- ◆ There were concerns about the appropriate mechanism for observing not only the funding flows, but also implementation and program impact.
- ◆ There are a lot of positive conceptual ideas around the public/private partnership but they need to be operational at every level.
- ◆ Guidance should be given on regional proposals. What is the motivation for countries to work together on regional proposals?
- ◆ There need to be clear budget templates.
- ◆ Proposals should include a demonstrated commitment to strengthening local capacity.
- ◆ Ensure that the Global Fund is leveraging more commitment from local governments, rather than displacing it, so that interventions are ultimately more sustainable.

**“What the Administration’s New Development Initiatives Mean”**

---

**Advisory Committee on Voluntary Foreign Aid**

**Meeting Agenda**

**Appendix A**

# Advisory Committee on Voluntary Foreign Aid

Public Meeting  
Wednesday, October 9, 2002  
8:30 a.m. – 5:15 p.m.

National Press Club  
529 14<sup>th</sup> Street, N.W., 13<sup>th</sup> Floor  
Washington, D.C.

## Agenda

*"Monterrey to Johannesburg and Beyond: What the Administration's New Development Initiatives Mean for U.S. Foreign Assistance Policy and Programs"*

- 8:30**      **Registration**  
*Ballroom*
- 8:50**      **Welcome: William S. Reese, ACVFA Chair**  
*Ballroom*
- 9:00**      **Introduction:**      **The Honorable Andrew S. Natsios, USAID Administrator**
- Keynote Speaker:** **The Honorable Jim Kolbe, Chairman, Subcommittee on Foreign Operations, Committee on Appropriations, U.S. House of Representatives**
- 9:45**      **Questions and Answers**
- 10:00**      **Plenary Panel: "The Global Development Alliance: Using Partnerships to Achieve the Vision"**
- Moderator:** **Holly Wise, GDA Director, USAID**
- Speakers:** **Glenn Prickett, Senior Vice President, Center for Environmental Leadership in Business and Vice President, Conservation International**  
**Peter Burbridge, Senior Advisor, BP**  
**Dennis Macray, Manager for Business Practices, Corporate Social Responsibility, Starbucks Coffee Company**
- Ballroom*
- 11:00**      **Questions and Answers**
- 11:15**      **Break**

- 11:30**      **Plenary Panel: "Beyond Johannesburg: Implementing the USAID WSSD Initiatives" - Ballroom**
- Moderator:**    **Jane Pratt, ACVFA Member, past President and CEO, The Mountain Institute**
- Speakers:**     **Anne Peterson, Assistant Administrator, Bureau for Global Health, USAID**  
**Twig Johnson, Director, Science and Technology for Sustainability, Policy and Global Affairs Division, The National Academies**  
**Griffin Thompson, Energy Team Leader, Office of Energy and Information Technology, Bureau for Economic Growth, Agriculture, and Trade, USAID**  
**Jonathan Margolis, Director, Office of Policy Coordination and Initiatives, Bureau of Oceans and International Environmental and Scientific Affairs, U.S. Department of State**
- 12:30**      **Questions and Answers**
- 1:00**      **Lunch (*participants on their own*)**
- 2:00**      **Plenary Session: "Update on the Global Fund to Combat HIV/AIDS, Malaria and Tuberculosis"**
- Speaker:** **Anne Peterson, Assistant Administrator, Bureau for Global Health, USAID and U.S. representative to the Global Fund;**
- 2:40**      **Questions and Answers**
- 3:00**      **Break**
- 3:15**      **Concurrent Breakout Groups:**
- 1. GDA: How Can NGOs Further Stimulate and Participate in Public-Private Alliances?**  
**Moderators:** **Charles MacCormack, ACVFA Member and Dan Runde, Global Development Alliance Secretariat - *White and Murrow Rooms***
  - 2. WSSD: What Do USAID and NGOs Need to Do to Meet the Commitments Made in Johannesburg?**  
**Moderators:** **Jane Pratt, ACVFA Member and Griffin Thompson, USAID *The Holeman Lounge***
  - 3. The Global Fund to Combat HIV/AIDS, Malaria and Tuberculosis**  
**Moderators:** **Kathryn Wolford, ACVFA Member and Paul DeLay, Senior Medical Advisor, Office of HIV/AIDS, Bureau for Global Health, USAID *The First Amendment Lounge***
- 4:45**      **Reports from Breakout Groups - *Ballroom***
- 5:15**      **Adjournment**

**“What the Administration’s New Development Initiatives Mean”**

---

**Advisory Committee on Voluntary Foreign Aid**

**Remarks of  
Andrew S. Natsios,  
Administrator, USAID**

**Appendix B**

**ACVFA Public Meeting, Wednesday, October 9, 2002****Andrew S. Natsios, Administrator, USAID****Remarks at ACVFA meeting**

---

MR. NATSIOS: Well, thank you very much. It's actually a delight to be here. I say that at the beginning of all my remarks, but I really do mean it this morning.

Charlie McCormick is sitting here. I just wanted to say, I have the tie on. This, though, is not an indication that there's any bias towards a single NGO. This represents the entire community, Charlie.

MR. McCORMICK: Well, we'll still take your \$30.

MR. NATSIOS: It was actually given to me in the Nuba Mountains, in Sudan, as the United States Government was negotiating the first phase of the Nuba Mountain Accords. They were quite successful, then, but I'm not sure it's successful now.

The first phase of the effort to have peace in Sudan was the Nuba Mountain Accords over humanitarian assistance. It was designed to build up confidence on both sides that some permanent solution that was just -- that was just -- could be worked out. Now, we can all debate as to what's going to happen in the next few days, but that was very successful. When I was there, one of your people (Save the Children) did give me this tie, Charlie.

Anyway, I'd like to talk about several things today before I introduce our keynote speaker, Jim Kolbe. The first is the World Summit on Sustainable Development. Second is the Millennium Challenge Account, the current approach. I'm not going to go into enormous details on it, but I will talk a little bit about it, and then about the national security strategy, which has been discussed a lot in the media in a way that I think is really a distortion of what's in it. But that's another question.

Let me just say to begin with that it's the case when you're in public office that you always like to say you're at a critical historical juncture. I've heard that phrase begin more speeches over the last 30 years of my career. And of course if everything's a critical juncture in history, then nothing is a critical juncture.

But the reality is, in this particular case the President -- and I have to say it is the President -- has changed the debate substantially. In the speech that he gave to the Inter-American Bank (March 14, 2002), which many of you either saw personally or read about -- if you haven't read it, I would strongly urge you, it's on our web site -- it changes the debate.

Part of the criticism of the United States within my community outside of the United States -- I mean within other donor governments -- some of them say: "You guys are changing the debate. We're not sure we like what the change is. It's not that you're not doing anything. It's not that you're not making a commitment; it's that

---

we're not comfortable with the demands the President is making." They don't say it exactly that way, but that's what they mean.

And this goes for U.N. agencies; it goes for the banks. Because what the President is saying is: we've been trying for 20 years, with not a lot of success, with the poorest countries, with the 48 LDCs (lesser developed countries), only one of which has graduated in the last 20 years. That's Botswana, and they did not do it primarily through AID help. Primarily they found a way of avoiding the elites looting the country of all the wealth in the diamond mines instead of spending it properly, through good governance, on the people of the country.

That's the only country that's graduated. And the President made the comment: something's wrong with the system. Something is wrong with the system.

And so what he said is: telling countries that if you do all these things we'll give you more money in the future has not worked very well. Conditionality has not been a success. Why isn't it? Because the countries want the money, but they really don't want to make the reform necessary to have high rates of economic growth and good governance, both of which are difficult to do but are also absolutely essential to high rates of sustained economic growth, which is the only way countries become prosperous that are very poor.

And so they take the money and don't make the changes, or they make the changes and then as soon as they get the money they rescind the changes. Or they don't implement them properly because there's no commitment.

And so what the President has done in the Millennium Challenge Account and in a lot of the other things he's said and done in our area of work is to say: well, I'm changing the paradigm here. We need to take the countries that are making a genuine effort to reform their political systems, to eliminate corruption, to respect human rights, to make the changes, microeconomic and macroeconomic changes in the economic system to stimulate investment, entrepreneurialism, to make the reforms necessary to stimulate economic activity and growth in the private sector, and then we will put money there, in the appropriate way, to accelerate what's already going on, what is clearly a commitment.

We're not going to have a debate about which countries should be part of it here, but you can tell the countries. I've seen the heads of state. I've seen the cabinets in some countries that are a disaster. In other countries, they're spectacular. And they are making the changes without us pressing them, because they know what the right things are to do. You can tell the countries that it's easier to work in. I mean, I don't have to tell people in this room that.

But by focusing on performance, not promise, the President is changing the debate in a profound way. And that is why I think the Millennium Challenge Account is so important. It's not just that there's \$5 billion more in the account. It is that the debate, the terms of the debate, have shifted.

I would argue that one of the principal utilities of the MCA is that it can be used by reformers in every country as a bludgeon against the mercantilists. They don't call them socialists anymore, but they believe basically in a heavy state hand in

economic planning -- which has been a disaster in every country it's been tried in. And so you have reformers who know what needs to be done, but they can't get the political system to do it.

What we're hoping is, for countries that are making progress but not very much of it, where some reform has been done but not enough, the reformers will say, look, we could have qualified for this if we'd only shown a commitment to do what's necessary to create the platform for rapid rates of growth and social services and democratic governance.

The World Summit on Sustainable Development that Colin Powell and I went to -- Paula Dobriansky led the negotiating effort -- and the Doha meeting, which began the next round of trade negotiations, are also connected to the Millennium Challenge Account speech that the President gave. Because the President knows, we know, that the open trading system will in fact reduce poverty. If you look at the countries that have become middle-income or upper-income countries -- the Taiwans, the Chiles, the Costa Ricas, the South Koreas of the world -- they have done it through trade and a trading system which is open to their products and which allows these countries to export and to encourage investment.

And so there's a piece, in terms of Doha, that's very important. I am told that the U.S. Trade Rep has never set foot at AID until Bob Kimmitt came to see me last year. Normally, the AID Administrator and the Trade Rep are not necessarily on the same page. We are. Not only the same page, but 70 percent of all the monies spent on trade capacity-building in the developing world is spent by USAID. Seventy percent. It's a huge portion of it, and it's widely recognized that we do the best job. It's not me. It predates me by 15 years. But over the years, it's been building up. And if you ask heads of state and ministers in the Third World and you ask business people what's most important, it's that capacity-building.

I have to tell you, one of Jim Kolbe's top priorities is this area of capacity-building and trade. Because you can lower the trade barriers, but if people don't have the skill set to understand how the trading system works -- how it applies to sanitary codes, for example, how you can determine a niche market that will allow you to use value-addedness in your country to export more, to expand a particular part of your economy -- that makes a big difference.

So Doha is particularly important here. And WSSD. I mean, there was a lot of media and a lot of hype, but if you carefully read the document that was negotiated, we won most of the fights, most of the debates that we wanted to come out of that. And we made a series of very important announcements of tangible things we're going to do that have funding behind them.

The first is the Initiative to Cut Hunger, particularly in Africa but also in Central Asia, through agricultural development, a major interest of mine, as all of you know.

Another is the Congo Basin Forest Partnership, which is a series of national parks. Gabon has put aside 10 percent of its national territory into these parks

to protect the rain forests across that center of Africa from the east coast to the west coast.

The Clean Energy Initiative seeks to transfer clean energy technologies to developing world, something we've been engaged in for 10 years and now want to expand.

And the Global Fund invests in health, in HIV/AIDS, which we've been at the forefront as a country in this, as many of you know.

And finally, there was a proposal in the area of water, especially in construction of municipal water projects. The West Africa Water Initiative is one of the elements of the water proposal. I want to mention that because it's part of the Global Development Alliance that we started last year.

I want to report that we just did our report for fiscal year 2002, and we invested \$125 million of AID funding in either explicit Global Development Alliance projects or partnerships with many other organizations in the private sector that seek to take private money from foundations, businesses, universities, NGOs, and think tanks. But it's not a grant program, where we give money to other organizations. It is not a grant program; it's an effort to leverage the money from different institutions, since much of the money going to the developing world now from the United States, 80 percent of it, comes from the private sector, not from ODA (Official Development Assistance).

That's a shift. 1970, 70 percent of all aid to folks in the developing world was ODA, from the United States. It's now 20 percent. It's not because of huge cuts; it's because of massive increases in NGO fund-raising, in universities. Universities give, according to a study that Carol Adelman has done, \$1.2 billion in private scholarships to people from the developing world every year. These are not the government. These are the private universities in the United States. It's bigger than the aid programs in many of the democracies in Europe.

If you go through that, and you go through remittances -- there's a huge movement of remittances to the developing world we're only now beginning to understand. There was a study done -- I think I mentioned it to you before -- of funding for micro-enterprise in Mexico. Fifty percent of the funding for micro-enterprise in Mexico comes from the Mexican-American diaspora in California. It has nothing to do with us or our micro-finance programs. It comes from ethnic diasporas in the United States. We are the great melting pot, but we don't quite completely melt. Everybody keeps up their contacts with their families, for generations sometimes. I still correspond with family members in the old country from four generations ago. We still maintain -- now it's e-mail contact. And we don't send remittances back anymore, because where I come from, where my family is from (Greece), is not a poor country anymore.

The point is, though, that we're only beginning to understand how these remittance systems work. And the question is: could we facilitate this? Apparently, there's a high transaction cost in the private sector to move this money. And there's some things we might be able to propose in terms of Treasury regulations that would

facilitate a much higher percentage of the money actually getting to people. Because in some cases, it's 18 to 20 percent of the money they send back goes for transaction costs, just to move the money, which is, I think, unfair and unreasonable.

One of these GDAs, Global Development Alliances that we formed around this notion of all this private-sector money was the West Africa Water Initiative, which we announced at WSSD. I'd like to thank the organizations involved in that. Steve Hilton of the Hilton Foundation put in, from his foundation, \$18 million; World Vision put in \$16 million. We have large contributions by UNICEF, Lions Club International, Desert Research Institute, Winrock, Cornell University, and the World Chlorine Council, and there are others, involved in a small way.

Of the \$41 million in this plan, \$4.4 million comes from AID. The rest of it is private.

Now, I gave a speech yesterday and a lady said, "well, how come you're giving so little?" I said, "well, it means we have other money to do other things with." But the notion that all of this has to be entirely public-sector-driven, I think, fails to understand this profound shift in money in terms of flows to the Third World in the last 30 years.

Beside the hype about WSSD, some constructive things went on, because there is a growing understanding now in the developing world -- and, I think, an acceptance in Europe, Canada, and Japan -- that a performance-based system is a much better system for everybody. Just giving money is not going to solve all the problems. It is not just a funding problem; it is what happens to the money once it's spent. It becomes an issue that we should need to focus on.

I think that the NGO community and the university community in the United States, have played a major role in many of these international conferences, particularly the American-based ones. I'm being a little biased here, but this is sort of an unspoken comment that you really don't make, but I'm going to make it publicly now. The notion that all NGOs are the same all over the world is like saying all businesses are the same, or all universities are the same. There's a huge difference. And there is a gap, a difference, between the way NGOs in other Northern countries behave and those in our country. And I want to tell you a couple of things that are very different.

My observation is that, for the most part -- there are exceptions -- our NGOs tend to be far less ideologically abstract. For me, if you're too abstract, you get lost in abstraction; you don't get anything done. My observation of the developing world is the American NGOs tend to be -- I mean NGOs in the largest sense of that word -- much more operational, much more interested in what actually works, not in simply abstract theory that frequently is never represented by anybody on the ground, in reality, because there's such a gap between the theory sometimes and what we find when we have to deal with reality operationally.

And so I appreciate the contribution that our community has made, our universities, our private for-profits, our NGO community, our think tanks have made in

trying to close the gap between the realities that we find in the developing world and the, sort of, abstraction that we deal with at a lot of international conferences.

My main purpose here, however, is to introduce our keynote speaker. I've now gone into his time a little bit. He is a powerful figure in our community now and, I have to tell you, wise. Some committee chairs and subcommittee chairs in the Congress do their work, they chair the committee, but they never fully master the technical disciplines that they are chairing. Jim Kolbe is an exception, a shining example of the opposite of that. He has not only mastered it, he's become an expert in some areas, so much so that he's always keeping me on my toes when he asks me questions that I'm not anticipating.

He has three major interests. We all have major interests; it doesn't mean we're not interested in other things. But he is heavily focused on the issue of trade, because Jim Kolbe knows there is a direct connection between trade and economic growth and poverty reduction.

Just a little side-note here. We had Michael Porter from the Harvard Business School, one of my favorite business intellectuals in the United States, to speak to our senior staff for two hours at our headquarters. We videotaped it, and now require everybody all over the world in AID to see the tape. I don't know if we're going to have a test on it or not. A lot of what we do, even in the social service sector, can hang off of the kind broad, visionary view of development in the Third World that Michael Porter brings. And by the way, we'll make that tape available to anybody who wants to get a copy of it.

But what he says is we now know we have to have good political governance. Governance makes a huge difference. Democracy makes a huge difference. We need to have the macro economics policies in place. But those two things alone are not enough. And what his focus in these two hours was on, micro economic things -- from the rule of law, the question of infrastructure, the question of marketing, the question of firms and investment and elite education, leadership in the economic sector.

Jim Kolbe understands all this. When I described some of the things in the Porter speech at a recent meeting, I could see his eyes light up, because they're the same things that Jim Kolbe's been talking about. I don't know if they have a secret alliance or something, but listening to Jim Kolbe's comments on this are very similar to the kinds of things that Porter talked about in that brilliant lecture.

The second of his major interests is HIV/AIDS and other infectious diseases. Because we know we can make progress in the battle for hope in the Third World by combating, through the science and through medicine, the scourge of HIV/AIDS and the other terrible infectious diseases we have to deal with, particularly in sub-Saharan Africa.

And the third interest he has is something that very few people on the Hill have in a government agency, and that is on internal management systems. He has a deep interest in this, and I do as well, and so we are talking constantly about what progress we've made, or not made, in certain areas of the business systems reform that

I announced in my comments to the Senate Foreign Relations Committee when I was up for confirmation last year.

The staff at the Legislative Public Affairs Bureau would be upset if I failed to mention how delighted they were that our poet laureates, who remain anonymous, had their poem of limericks on the chairman's birthday this year put into "Roll Call." It was a great piece of poetry, and if you want to read it, you can see it in "Roll Call." We have that kind of relationship that we can send the lyrics in, have them accept it, and then have them publish it.

Now I would like to introduce Jim Kolbe, my friend.

**“What the Administration’s New Development Initiatives Mean”**

---

**Advisory Committee on Voluntary Foreign Aid**

**Breakout Group One  
“GDA: How can NGOs  
Further Stimulate and  
Participate in Public-  
Private Alliances”**

**Appendix C**

**ACVFA Public Meeting, Wednesday, October 9, 2002****Break-Out Group 1: GDA How can NGOs Further Stimulate and Participate in Public-Private Alliances?**

**Moderator: Charles MacCormack, ACVFA Member; and  
Dan Runde, Outreach and Alliance Development Manager,  
GDA Secretariat**

---

**Dan Runde** opened the meeting by explaining the rationale for USAID's Global Development Alliance. Displaying a pie chart, he pointed out that while 30 years ago Official Development Assistance accounted for 70 percent of US resource flows to the developing world, in 2000 80 percent was private. He said that USAID had asked what that shift implied for its strategy and concluded that it was essential to bring to bear as many private sector – writ large - resources and capabilities as possible to achieve common development objectives. This paradigm shift offers the PVO community potentially far more sources of financing and far more opportunities for their development work. Mr. Runde referenced some of the alliance examples that had been mentioned in the morning session and said he hoped that there would be more presented during the breakout session.

**Charles MacCormack** then offered a PVO/NGO perspective as President of Save the Children the Children (Save). He mentioned that some experts, including Ian Smillie and Michael Edwards, who have looked carefully at the work of PVOs and NGOs have sometimes offered the criticism that PVOs do not have the history or capacity to have a large-scale, strategic impact at the national or global levels. Their results are limited to small projects, they say. Others have criticized PVOs and NGOs for "going it alone" and not cooperating in alliances. Mr. MacCormack noted that these criticisms were sometimes true. Citing Congressman Kolbe's question about where did the \$1 trillion in foreign assistance funds go, Mr. MacCormack agreed that the results were not always commensurate with the investment. He then drew attention to the comment of one of the morning's panelists who had contended that development has never been tried – what has been done is project-based, not strategic, and most of the funding is allocated toward procurements from U.S. organizations.

Mr. MacCormack suggested that if an impact is to be made in the future, it will require large scale strategic cooperation across sectors. PVOs need to work on a larger scale, more cooperatively and with more resources. This requires finding new resources beyond government and foundations. The corporate world has capabilities that are not found anywhere else. They have talented people, capital, innovative technology, entrepreneurship and global reach.

---

Mr. MacCormack pointed out that there are a wide range of possible collaborations involving qualitatively different relationships. There have been over \$130 million in sales of Save the Children neckties, but just as important is the increased access to public opinion that these necktie sales have offered. He mentioned that professional services companies have a great deal of managerial and technological expertise. The Boston Consulting Group and McKinsey donate their experts to Save the Children, helping improve impact and cost effectiveness. These firms have employees, especially young professionals, who are willing to perform *pro bono* work.

With regard to innovative technology, the corporate world has a virtual monopoly on production and roll out. Cisco has wired Save the Children from the village to headquarters. Three full time Cisco employees work with Save the Children, in addition to the hardware, software and training provided. AOL and Yahoo have helped design and maintain Save the Children web sites.

Save the Children and others also work with corporations that donate large quantities of goods: books, pharmaceuticals, computers, etc. For example, Save the Children's programs receive donated computers from TJ Maxx. The nature of that firm's business requires the company to remain state of the art, so used but good equipment becomes available every couple of years. Mr. MacCormack emphasized that if organizations approach corporations when they have excess inventory or manpower, it can sometimes be an easier contribution for them to make.

Mr. MacCormack noted that GDA is most interested in program-related ventures. That does not mean, however, that PVOs and NGOs should lose sight of gifts-in-kind and other ways to access corporate capabilities and resources. That said, he described Save the Children's three field-oriented joint ventures that illustrate ways in which alliances could work.

- Microsoft has assisted Save the Children in working out disaster-preparedness plans in disaster prone areas. The company has donated personal digital assistants (PDAs) and the software and training necessary to link village planning with national headquarters.
- In Vietnam, over the last 11 years Save the Children has partnered with British Petroleum in a project to provide micro-credit for women. BP helped with financial systems, credit planning, systems work, and funding. BP Volunteers also assisted the project.
- Mr. MacCormack mentioned multi-sectoral partnerships. In Pakistan, Save the Children has worked with the Government of Pakistan (health structures), UNICEF (planning), the Gates Foundation (cash), community and religious groups (education) and pharmaceutical companies (vaccines) in a project that has immunized millions of women of child-bearing age against tetanus. This has had a strategic impact at the national level and has become a model that Save the Children will try to replicate elsewhere.

Mr. MacCormack summarized by saying:

1. We owe it to those we serve, to our mission, to try to work at these national, strategic levels;
2. Corporations provide additional sources of support, know-how and technology that we ought to try to access; and
3. There is a wide variety of ways to access this support – we need to be creative.

There are also some cautions:

1. In some spheres the public sector – governments – have to be involved. In some, only governments have a role.
2. The 11-year duration of the Save the Children-BP collaboration in Vietnam is the exception rather than the rule in his experience. Most partnerships are of shorter duration.
3. There are very high transaction costs involved in building alliances. Missions differ and that requires a large investment of time to close the gap, in order to make these alliances positive and functional.

**Dan Runde** offered three “take-aways” from Mr. MacCormack’s comments:

First, you need to be flexible in creating alliances;  
Second, you must know your partners’ objectives; and  
Third, you must be prepared for the potentially high transaction costs.

Mr. Runde then indicated that he would like participants to share alliance examples with the group. He asked Peter Burbridge of BP-Tangguh-Indonesia to describe the central elements of the BP-USAID alliance in Indonesia.

**Mr. Burbridge** responded that BP’s alliance with USAID was just beginning. USAID had been attracted by the company’s approach which was grounded in the belief that “we’re going to be here for 45 years so we want to build the quality of the community.” USAID had indicated that the BP approach resonated with its own approach. The alliance had therefore come together out of mutual interest. It was an opportunity for complementarities with USAID providing its expertise and programs that complemented what BP is trying to achieve in social and economic terms.

Mr. Burbridge expressed the view that the corporate framework for thinking about broader economic issues was undergoing a significant change. He felt that this thinking required listening to NGOs, donors and others.

Mr. Burbridge noted that the key is that a partnership needs both substance and a sense of direction. The vision for Tangguh is to use available resources to create better social and economic conditions.

**Ross Coggins** of CRS asked whether the participants had learned much about possible downsides to alliances, especially with regard to risks for NGOs, e.g., the criticism of selling out instead of buying in, and the potential cost to institutional reputations. He highlighted CRS' concern with the desperate conditions of small coffee producers who are getting 30 cents per pound – not enough to meet costs – when consumers are paying \$11 a pound to Starbucks for coffee. Is there a way for more of the proceeds to get to growers through these alliances? He asked that the presenters tell the group about the risks and to share the criteria they use for screening potential partnerships.

**Mr. Runde** responded that USAID analyzes prospective partnerships and has a process of due diligence when considering an alliance. The Agency had invested in a data base that provides information and analysis on several thousand companies. What is important is to make a best effort to understand your potential alliance partner. You have to do your homework on who the partner is and what their objectives are. Due diligence is a way to minimize risks.

**Holly Wise** suggested that participants envision the worst outcomes that could appear in the newspaper and go from there. There is no doubt that some partnerships could result in embarrassment and failure. As is the case with venture capital investments, there will be some winners, some losers, and the rest somewhere in the middle. Potential partners have to rely on due diligence and a memorandum of understanding with an exit clause.

As for Starbucks, Ms. Wise said that some people think they are part of the problem, not the solution. But you have to engage with the facts. How much can one U.S. company be held responsible for a world glut in coffee and producer price crash?

**Mr. MacCormack** suggested that each organization must make its own decisions based on its own philosophy and board policies. For example, Save the Children doesn't take money from manufacturers of alcohol, tobacco, firearms and breast milk substitutes. But we must also keep in mind that our job is to produce a better life for children, not to make gestures.

**Jo Luck** of Heifer International mentioned that her organization was both old – 60 years – and international. It is only very recently that HI has begun exploring partnerships. She mentioned that HI is in a state with two large corporations and that some staff were opposed to having anything to do with them. What HI did was to go through a 10-step process to clarify and guide its approach to alliances:

1. HI identified its core values

2. The board developed an executive limitation policy on partnerships that provides clear guidance
3. Staff then developed guidelines
4. In any potential partnership, HI sits down with partners and gets acquainted over several sessions.
5. If it looks like a “go,” HI involves a review committee composed of staff, board, major donors and recipients to draw up the pros and cons.
6. You only go for a “win-win”.
7. Write out your agreement in some form – formal to legal.
8. You should agree on a pilot trial and error period.
9. You should be aware of different approaches, attitudes and philosophies
10. Do only what is appropriate for your organization and be willing to say it did not work.

**Mr. MacCormack** suggested that it’s seldom a matter of a clear yes or no. Usually a partnership falls on a continuum between one and one-hundred. If it’s down at the lower end of the scale, then it’s probably not worth the cost. He mentioned that James Austin of the Harvard Business School specializes in analyzing corporate relationships and has written extensively on the subject. Mr. MacCormack suggested that Austin's work provides a good guide.

**Mr. Runde** mentioned that Jim Austin had spoken at USAID the previous day. His most recent book is *The Collaboration Challenge* in which Austin describes the 21<sup>st</sup> Century as the “Age of Alliances.” Austin suggests that collaborations fall along a continuum from check writing to strategic alignments and cites the City Year-Timberland relationship as an example of the evolution from simple corporate donations to a close strategic alliance.

**Peter Burbridge** mentioned that the majority of NGOs present are big organizations with an international perspective. It is important to also think of local NGOs who are already doing a great deal with resources within the country. Some of these could do far more with additional external resources.

Mr. Burbridge noted that the corporate world does not necessarily trust the NGO community. For example, corporations cannot trust claims to deliver when they are backed by little experience or scant evidence of achievement. Another thing that undermines trust is a palpable stress between the NGO's local office and its international headquarters.

The world has changed for the corporate sector, which is now looking at whether an NGO understands sustainable development, what it means to achieve growth, and the role that the corporate sector can play in supporting this.

**Steve Moseley**, ACVFA member, mentioned the example of a breast feeding campaign in Pakistan that his organization AED carried out in partnership with Johnson & Johnson. Johnson & Johnson wanted to give their program credibility by partnering with an NGO. The project continued for seven or eight years and was highly successful. One thing that contributed to the

success was a local oversight committee that kept both AED and Johnson & Johnson honest. The partnership enabled AED to work in Pakistan without USAID funding.

AED has also entered into an alliance with International Paper which wants to reform school systems in places where the company has large investment.

Most recently, AED was partnering with SC Johnson. The program was introduction of insecticide-treated mosquito nets. The belief was that the corporate partner would be encouraged to participate with USAID financing, but that in time the profits would ensure its continuation and expansion. USAID's contribution was \$15 million out of a projected outlay of \$100 million. Unfortunately, SC Johnson found the venture unprofitable and pulled out. This caused AED some uneasy moments as it contemplated making up the match. However, SC Johnson's place was taken by a number of new corporate partners and the project is not only succeeding but will have an important impact on mosquito-borne diseases.

In one other alliance, AED is working with Chevron/Texaco. It can be difficult to get corporations involved in basic education – they find donations to universities more aligned with their interests. But in this effort Chevron/Texaco is funding basic education for women in communities within their corporate footprint.

Mr. Moseley concluded by pointing out that companies screen NGOs just as NGOs should screen them. The basis of the collaboration rests on trusting your partners.

**Mr. MacCormack** said that the question is how you can achieve greater scale, how you can be strategic and global. He mentioned Avon's work with breast cancer as an example of how this can be done. The key question is how can you provide incentives for corporations to get interested in global, strategic development initiatives. What incentives could tilt the balance? Johnson & Johnson has technology, money, manpower, and global reach. But the question is, what would be the advantages to them of a strategic alliance. NGOs need to find a way to make global strategic links with major corporations that can add unique capacities to the global development process.

**Mr. Runde** mentioned that Stuart Hart of the University of North Carolina and CK Prahalad of the University of Michigan have done a lot of work on how to draw corporations into the process of solving major social problems.

A comment was made that while companies may be global, an alliance can be an issue with the local office. There can be problems when there are divergences of views.

**Ms. Wise** commented that a key critical issue for NGOs was how to engage with the private sector. She suggested that NGOs need to understand what is the interest of the private sector in new markets in the developing world. NGOs can help the private sector understand these developing country markets and how to sell in these markets. She cited the example of

Hindustan Lever in India which had learned how to sell through the informal sector in order to reach large numbers of rural buyers.

**Kevin Fitzcharles** of CARE pointed out that an important issue was the resources that a PVO may or may not be able to bring to the table. The risk factor has been alluded to. Does the alliance approach cut out the smaller PVOs? Is the cost match a constraint for smaller PVOs? It can be even for a large PVO like CARE.

**Mr. Runde** responded that Starbucks thought that involvement of smaller PVOs was doable because they brought approaches that met corporate needs.

**Ms. Wise** clarified that the Global Development Alliance requires a 1:1 leveraging of federal to non-federal funds. There is no 25% privateness or matching requirement. The GDA secretariat wants to look at robust other resources including in-kind sources such as intellectual property.

**Mr. MacCormack** mentioned that most relationships are built in country where local capacity to carry out local projects is the critical determinant for NGOs. The use of corporate expertise is more a matter of implementation ability. He then asked rhetorically whether it is worth it to strive for strategic alliances. Answering, he said there is no question but that NGOs must work in partnership with the private and public sectors because each sector brings different strengths and assets. The private sector brings its know-how, technology, its human resources, access to other networks and new funding resources. Are partnerships easy and simple? No. But no alliance will be. NGOs have to work at building and maintaining these relationships. If we want to be true to our missions than working in alliance with others is critical.

**Mr. Runde** concluded by saying that the discussions had been productive and useful and by thanking all present for taking part.

**“What the Administration’s New Development Initiatives Mean”**

---

**Advisory Committee on Voluntary Foreign Aid**

**Breakout Group Two  
“WSSD: What do USAID  
and NGOs Need to do to  
Meet the Commitments  
Made in Johannesburg?”**

**Appendix D**

**ACVFA Public Meeting, Wednesday, October 9, 2002****Break-Out Group 2: “WSSD: What do USAID and NGOs need to do to meet the commitments made in Johannesburg?”****Moderator: Jane Pratt, ACVFA Member and Griffin Thompson, USAID**

---

**Ms. Pratt:** The task of this discussion group is to discuss what USAID and NGOs need to do to meet the commitments made in Johannesburg, but is that the right question? Is there a sense among the USAID and PVO communities that there were actionable commitments coming out of the WSSD? Have those commitments been sufficiently communicated? Is it possible to build clear implementation plans, either jointly or individually, based on WSSD?

**Michael Deegan, ACDI/VOCA:** NGOs were not invited to be part of the U.S. delegation to WSSD. From the NGO standpoint, WSSD was not as successful as today’s speakers related. U.S. NGOs were not encouraged to participate. The U.S. agenda was successful in that it was very focused, but many NGOs in the U.S. didn’t really know what was going on with the WSSD. This was completely different from the Financing for Development Conference. NGOs were encouraged to participate in many discussions prior to and during that conference. The message that needs to get across to the U.S. government is that NGOs need to be part of the U.S. team.

**Mr. Thompson:** There were regular NGO briefings not only in Johannesburg, but also in the weeks and months prior to the Summit. The U.S. delegation included private sector advisers drawn from various sectors, including private businesses, NGOs, think tanks, and private citizens. Logistics in Johannesburg were difficult and inhibited people from getting together informally. Mr. Thompson will bring the message to colleagues at the State Department that more NGO involvement is needed.

**Ms. Pratt:** In discussing implementation of the WSSD commitment, what are the tradeoffs between focusing on the five U.S. government priorities and listening to, and responding to, the agendas and priorities of other countries?

**Mr. Thompson:** That is the challenge for the U.S. government and all the partners in the implementation stage. The signature deliverables are energy, water, hunger/agriculture, and forests. In every one of those partnerships there are other OECD and developing country partners. There was a flurry of activities and meetings with other countries leading up to the WSSD.

---

The Global Village Energy Project (GVEP) is part of the energy initiative. It evolved out of a USAID/Department of Energy project and engendered support from other countries, both donors and recipients. Many countries have been involved in each of the other projects also. That is the spirit of the Type II partnership. The European Union has its own priorities, but the U.S. will be working with the EU to identify areas of overlap and ways to work together.

**Ms. Pratt:** In the USAID/PVO partnership, what should be the role of each partner? What are some of the pragmatic next steps to implement these agreements?

**Participant:** The Administrator of the United Nations Development Program urged President Bush to accept the Millennium Development Goals (MDG) as the goals of the Millennium Challenge Account (MCA), so as not to recreate the wheel. Energy, however, is not addressed in the MDG. It is not possible to have sustainable economic growth without energy.

**Mr. Thompson:** The energy partnership expects to proceed. It is one example of the new partnerships. The focus of the GVEP is increased access to modern energy services, including all energy resources that promote development. All partners were asked to commit to a number of fundamental principles. First, they must place high priority on increased access to modern energy services. Second, they have to commit to the fact that the policy structures in their countries may need to be revised to increase access, investment, and efficiency. Each country must have an energy strategy. Partnerships were designed that facilitate dialogue among all stakeholders at the country level.

The model is elastic in that not every NGO or donor will participate in every country. Rather than distort what is happening in bilateral programs, it should supplement those programs. This strategy should reduce duplication of programs, utilize strengths, and give countries more flexibility. There will be forums to bring together stakeholders and use the collective resources to find ways to resolve the energy poverty that is currently seen around the world.

There is a GVEP website at [www.gvep.org](http://www.gvep.org). The other partnerships will be developing their own dynamics and procedures.

**Participant:** How does the GVEP enter a country -- by invitation?

**Mr. Thompson:** These are all voluntary programs in which developing countries have freely elected to participate. They clearly see it as being in their own self-interest to increase access to electricity. Uganda, for example, has a 4% connection rate; 96% of the people have no access to electricity. However, many bilateral donors will continue to work in countries that are not participants in this project.

**Ms. Pratt:** How does donor coordination on this project relate to mechanisms for coordination that already exist, such as Country Consultative Groups?

**Mr. Thompson:** The starting point is the WSSD initiatives. They will be branching out from there to “connect all the dots” and tap into existing networks. Participants are invited to provide information about other networks that have not been included in the discussions.

**Ms. Pratt:** In light of the recent shifts of foreign assistance from the public to the private sector, where do NGOs fit into the picture, and how should they participate in donor coordination? What kinds of new initiatives could be used to bring in the private sector?

**Mr. Thompson:** It is not simply the bureaucracies that are talking to one another, but the extended teams that they have developed over the years. The NGOs and private groups that have been working with the government offices will be part of the discussions. If an NGO signs onto the partnership, they will be included in the dialogue.

**Mr. Deegan:** The initiative to cut hunger in Africa has been going on for over two years. The presentation was made initially at the Food Summit Plus Five. NGOs can get in touch with any of the current partners and be a part of the dialogue.

**Mr. Thompson:** This spirit of inclusiveness has been embraced by the other initiatives as well. The intent is not just to reshape existing programs but to expand and think of new ways of working together. There is a striking similarity between what Mr. Natsios talks about in the Global Development Alliance and the partnerships that are evolving out of the WSSD.

**Ms. Pratt:** Does anyone have experience in any other sector with conducting a broad dialogue on partnership?

**Participant:** Within Rotary International there are internal partnerships to buy, ship and distribute goods in developing countries.

**Participant:** In the HIV/AIDS sector there are partnerships that have developed to address the problem.

**Mr. Thompson:** In energy they are trying to get beyond talking to only energy specialists. They have to break out of that sector mindset and work across sectors to understand the impact of energy on agriculture, health, environment, etc. They will be working with NGOs and PVOs in non-energy fields to address energy issues.

**Jim Henson, ACVFA member:** The U.S. Extension system has a very strong energy program. They could contribute to this dialogue, but their time is limited. What should be shared with them about this initiative? There is a need to define what the U.S. commitment means to people working in this field in the U.S.

**Mr. Thompson:** The particulars of implementation will remain an abstraction until each country formulates a plan and the stakeholders decide what should be done. The strategy for each country will be different. All groups interested in participation should “stay tuned.”

**Ms. Pratt:** How does the PVO/NGO community get a seat at the table? Is it more efficient to have the dialogue at the government-to-government level to define the needs and the program before inviting the private sector into the discussion? Or, if 80% of the implementation is going through the PVO community, do they need a seat at the table at the beginning of the discussion? At what point in the country discussions will the PVO/NGO community be invited to participate? If one had asked the government of Nepal what their energy priorities were a number of years ago, they would have said they wanted a dam. However, it wasn't a project that people in the PVO/NGO community would have proposed because it did not serve the needs of local communities. At what point are those players invited into the dialogue?

**Mr. Thompson:** Dialogues will be at multiple levels, but fundamentally the U.S. government will deal with governments. However, there will be other dialogues in which NGOs and all stakeholders will be involved. The mechanisms to make sure that everyone is involved are still being worked out, but there is a desire to make sure that all voices are heard.

**Participant:** What was accomplished at the WSSD that is fundamentally new and different?

**Mr. Thompson:** As Mr. Margolis pointed out at the plenary session, there were two types of outcomes from the WSSD. One was the negotiated text and the other was the Type II partnership. The Type II partnership is a new mechanism based on a realization that there was a deficiency in the negotiated text. It is a new way of implementing programs and using Official Development Assistance to team up with private sector support. The U.S. position recognizes a need to work collaboratively, but not to create more working bodies and bureaucracies. The U.S. government commitment on energy, for instance, will be implemented through Type II public/private partnerships. This is a new way of doing business. Developing countries want results and they want to work with donor countries that can create results, not just rhetoric.

**Participant:** For NGOs, there are many issues in working with developing countries, including taxes, liability and dealing with government bureaucracies. NGOs aren't always covered under bilateral treaties.

**Participant:** Food security is an important issue right now. In that sector, the partnerships are similar to those mentioned in the energy sector -- NGOs are working with governments, universities, and private companies. The GDA changes the dynamics of program implementation, but USAID is asking a lot of the NGO community. They are asking for matching resources. It is difficult to do business with USAID right now.

**Participant:** Countries with weak civil society and unwilling or corrupt governments will be left far behind in these new initiatives and partnerships. How can these countries be brought up to speed?

**Ms. Pratt:** That is exactly why it is important to look beyond the traditional government/donor circle. Sometimes governments can provide a minimal structure and NGOs can work with civil society within the framework established by the government. The work of these NGOs is very important.

What is USAID prepared to do to make it easier for PVOs and NGOs to operate in difficult countries? They already operate under enormous constraints. How can USAID facilitate the work of the private sector and the 80% private investment that is reality now?

**Mr. Thompson:** There are problems with the procurement system both inside and outside of USAID. Trying to move money through the system to NGOs is cumbersome. Mr. Natsios has addressed some of these problems, but others remain.

Strengthening civil society in countries with corrupt governments is a dilemma. Refusing to work with corrupt governments often penalizes the people of those countries. This brings up the issue of regime change. For the most part, totalitarian leaders don't freely give up the reigns of power – democracy often has to be “taken.” On the other hand, diffusing knowledge about energy development requires community action, negotiation, and decision-making. Through the process of technology diffusion, one can have the by-product of democratic training. However, it is a very delicate issue. Hopefully one of the by-products of these projects will be openings for democracy.

**Participant:** Was there any discussion at the WSSD about constituency building for foreign assistance within donor countries? The U.S. is probably not the only country for which this is an issue. Is there any way that a partnership could be built around this issue?

**Mr. Thompson:** That was not a topic at Johannesburg, but it is absolutely critical. The U.S. public does not appreciate the impact of foreign aid on their lives, how much is spent on foreign aid, or the benefits to the U.S.

**Mr. Deegan:** This was a big topic at the Financing for Development Conference. This topic was evident in the presidential speeches. The world is conscious of the need to bring the lesser-developed countries along. There is also peer pressure among the developed countries to step up to their obligations. The MCA proposed by President Bush, the \$4 billion commitment by the European Union, and increases in U.S. appropriations demonstrate that there is a new consciousness. The EU is pushing every country to give a certain percentage of its GDP to foreign assistance, but the U.S., because it is so large, contributes a great amount in actual dollars.

**Participant:** There have been a great many new commitments in the last year, but it seems that much of it has happened without the knowledge or support of the U.S. public. There was no grassroots campaign behind the MCA and most Americans probably don't know what it is. Until the U.S. public understands these issues and starts talking to their elected representatives about them, there will never be a constituency for development. It will just be a political game in Washington, D.C. This seems like a wobbly platform for any policy.

**Participant:** The country goes through periods of isolation and involvement. Right now there is an opportunity to talk with the American public about these issues because they are paying more attention to global issues since September 11<sup>th</sup>. An invasion of Iraq would again provide an opportunity to educate.

**Participant:** The WSSD outcomes seemed disappointing. For example, it is still unclear how NGOs will be involved in the dialogues and processes.

**Mr. Thompson:** There will be a series of meetings with NGOs around each WSSD initiative. The World Bank is serving as the secretariat for the GVEP. UNDP is also a strong partner.

**Ms. Pratt** thanked all the participants and especially Mr. Thompson for being on the "hot seat" for this session.

**“What the Administration’s New Development Initiatives Mean”**

---

**Advisory Committee on Voluntary Foreign Aid**

**Breakout Group Three  
“The Global Fund to Fight  
HIV/AIDS, Tuberculosis  
and Malaria”**

**Appendix E**

**ACVFA Public Meeting, Wednesday, October 9, 2002****Break-Out Group 3: The Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria****Moderator: Kathryn Wolford, ACVFA Member and President, Lutheran World Relief****Paul De Lay, Senior Medical Advisor, Office of HIV/AIDS, Bureau for Global Health, USAID**

---

**Purpose:** To obtain input to communicate to the Global Fund on how to work effectively with its various partner institutions to achieve the goals of combating tuberculosis, malaria and HIV/AIDS

**Expected Outcomes:** 1) Identification and clarification of issues related to the Global Fund program  
2) Recommendations that ACVFA can make on behalf of the PVOs to the Global Fund

**Suggested Discussion Questions:**

A series of prepared questions were presented to the group. The group was also invited to add their own concerns in the form of key questions, and to present their recommendations regarding the Global Fund and the role ACVFA should/could play. The prepared questions included the following:

- 1) Is focusing on governance alone enough to achieve all that is necessary to realize the goals of combating tuberculosis, malaria and HIV/AIDS?
  - 2) How workable is the balance between economic growth and health as we look at the increased level of resources and what we can do with them?
  - 3) How can civil society and NGOs foster the satisfaction of local community needs through the Global Fund? What role can or should NGOs play in the Country Coordinating Mechanism (CCM) process as far as how second-tier and second-tranche awards are made? How can NGOs ensure accountability in public-private partnerships?
  - 4) How can we build on the positive momentum of Johannesburg to work together in all sectors to achieve sustainability? What role will all stakeholders play?
  - 5) What recommendations can we make to ensure that HIV/AIDS is understood and addressed as a development challenge, not just a health issue?
-

Participants also generated additional questions for discussion including the following:

**Q.** What encouragement can the Global Fund give to make public-private partnership more real? How can the Global Fund help to get civil society involved?

**Q.** Will the International Mother and Child HIV Prevention Initiative (prevention of material-child transmission – PMCT) be funded through the Global fund or is this a separate initiative?

**R:** PMCT is a separate initiative focusing on 12 countries over a five-year period. These resources should be additional to and should complement the Global Fund.

**Q.** What more should the U.S. Government do to make the Fund successful? What other types of activities could be initiated?

**Q.** With the Global Fund, the intense pressure to receive a massive amount of funds seems to be a top-down driven approach. If there is not solid programming and accountability, the Fund will set itself up for failure. The funding mechanism should be reviewed.

**Q.** What will be the Fund strategy relative to the “big-small“ issues? Will it fund a larger number of smaller programs or a smaller number of larger programs, given the large amount of funds concerned.

Discussion and comments from several participants focused on monitoring and evaluation concerns. The original mandate of the “ramping up” of existing programs is a good one, but as more eyes focus on the process, the “rapid” element will disappear. The Fund must maintain a balance between good monitoring and evaluation and the practical side.

The Fund strategy should focus on existing strategies that work at the country level. The truth is, we don’t have all the answers about what works best. Monitoring and Evaluation systems set up with the Country Coordinating Mechanisms will have the advantage that NGOs will not have to compete with each other.

Concerns were expressed that the Global Fund would give large amounts of money without regard to the local absorptive capacity of government, NGOs, etc. From experience, U.S. PVOs know that capacity to be limited.

**Q.** Will parallel systems be set up, or will NGOs work with whatever in-country systems are in place? How will the Fund view sustainability and accountability?

**Discussion of Question One:**

Country Coordinating Mechanisms are not full-fledged institutions yet. Many countries have put them together rapidly in order to get proposals in and now to receive awards. It is fascinating to see how they try to make sense of the funds coming in to the same partners. It is important for the CCMs to follow-up with those organizations receiving funding to make sure they don't become disconnected with the "on-the-ground" organizations. CCMs need some way to build significant bridges to NGOs on the ground.

- The Fund should consider the institutional development goals of the NGO to ensure the absorptive capacity to use and manage funds.
- A whole range of civil society institutions and informal groups must be mobilized. A key message should be "First, do no harm." We have seen in the field how good grassroots NGOs have been harmed with too much money. There is no easy way to overcome this dilemma: protect the groups and do nothing rather than do the wrong thing. Care should be taken that technical assistance does not displace what is being done already.
- A good technical assistance model is the U.S. CDC (Centers for Disease Control) that assigns workers to work overseas with local governments. Another model is the British aid agency that sends representatives to countries to directly supervise projects. The Fund should understand that implementation must be watched very carefully since many governments will have no adequate systems to implement the programs and keep the money from disappearing. There are good ways of doing this without establishing new institutions.
- It wouldn't be appropriate for the Global Fund to establish new institutions. The Fund should use various means to observe projects, and use a "carrot and stick approach" to fund future years. It is in the interest of the Global Fund to have good monitoring and evaluation. Who is monitoring and evaluating the Global Fund? It is up to civil society and international NGOs to set up appropriate mechanisms to monitor and evaluate the Global Fund and to "keep their feet to the fire." We should watch to see what desperately needs to be done. If the Global Fund experiment succeeds, we can apply the lessons learned. If the Global Fund fails, it will reduce the willingness of governments and the international community to innovate.
- Of the proposals submitted, how many of them devote resources to building the capacity of the CCM to build coalitions in-country? Much of this type of work must be self-initiated.
- Who is monitoring the writing of proposals? Is anyone reading them other than the Global Fund? We want more information including the funded and unfunded proposals published on the Global Fund web site. This will provide a certain disincentive for countries to submit poorly thought-out proposals. Some countries are hiring technical assistance to write the proposals.

**Discussion of Question Two:**

- Some donors have different attitudes toward the “SWAT” approach to combating these diseases. What should we be telling the Global Fund about this?
- The Global Fund needs to look at integration. In South Africa, food security, not just health problems, is the most critical and this is related to other issues. There was broad agreement regarding the commonality of the three diseases. They all affect working adults so we should be looking at the impact of these diseases on broader issues.
- We agree that the Global Fund should encourage alternative partners from other sectors such as education, food, etc.
- Food security seems of principal importance.
- Perhaps the best thing to do for economic growth is to leave them alone. It is a daunting task. The Global Fund is a donor mechanism created by committee with funds given to a Country Coordinating Mechanism committee. All of this is ad hoc right now. We should let them do their work. The CCM members are responsible, intelligent people and we should give them some breathing room.
- We agree that it is important that the CCM be involved in keeping an eye on the Global Fund to do a good job, rather than just U.S. and international NGOs.
- We agree about the preliminary nature of economic impact studies. It is premature to make a strong statement and we need to know more.
- In rural South Africa, it was discovered from the AIDS field work that at a community level it is impossible to separate HIV/AIDS from other issues affecting the community. It does the community a disservice to only look at one issue in isolation from others. I am not confident that the needs of rural populations are being expressed by the Country Coordinating Mechanisms. The communities are often left out.
- Nutrition issues and food security are big issues in Africa as well, and we agree on the importance of integration of issues. The Global Fund should not focus as much on nutrition as on the importance of the lack of education among the community and the importance of nutrition in disease treatment and progression. For example, on the issue of proteins, vitamins, calories, people with HIV/AIDS need double the amount of protein and calories as healthy people. In developing countries, hunger + medication + AIDS is a recipe for disaster. The medications are powerful and they don't work well without food. These key issues not addressed enough. Are NGOs or governments proposing nutrition as a complement to other treatments?

- The issue of nutrition is often not on the radar screen. The issue of poverty and its relationship to AIDS should be incorporated, but how much will it cost? The first thing to address is hunger, but don't forget that the volunteer distributing the food to the poor is hungry too.
- It is important to narrowly focus the interventions on these three diseases in order to be successful in one area, and then expand to other areas. It is important not to put too many demands on the Fund or it will fail. We need to give the Fund time to achieve success. We agree there are other important issues, but these are long-term issues that we will have to grapple with for a long time. Let's focus now.

### **Discussion of Question Three:**

- How can we ensure that civil society, NGOs and rural groups are not left out and what role should they play? From the debt relief campaign model, people learned to read, to be accountable, to work with governments and invest in education and health. Lessons were learned about how to leverage resources and be accountable which should be applied to the Global Fund. It is important that the demands of the real rural poor be heard. U.S. PVOs should shift roles to strengthen the advocacy and analytical capacity of civil societies, rural populations and NGOs. A bottom-up strategy is the key to success.
- Communities are in a better position to determine successful strategies because they are held accountable by the people and must build a rationale for the allocation of resources. If an NGO exists in a community, this is a good way to mobilize insights.
- One way NGOs can be useful is to ensure that the needs of local communities are met and make sure that programs are scaled up appropriately. With regard to PMCT, most communities have no access to this program now, nor will they in years to come. NGOs can ensure that healthy mothers are breastfeeding in areas with no alternatives.
- I notice in some countries hundreds of proposals are coming in to the CCMs and then trickle down to local committees. Kenya's CCM, for example, is not working out. Money is not coming through to guide the communities. What kind of small-scale proposals need to be considered to strengthen government CCMs and very small organizations?

### **Discussion of Question Four:**

**Q.** How can NGOs help ensure accountability and sustainability?

- That's a tough question. The Global Fund seems to be using a "top-down" approach now and we will hurry to catch up from the "bottom-up." Samaritan's Purse is working in its field offices to strength CCMs at the grassroots level. We see the biggest and the weakest.

- The Global Fund needs to promote more transparency in how the funding decisions are being made. The Global Fund web site should publish the specific names and contact information of all CCM members. This is difficult because often Ministries of Health have no email addresses or phone numbers. The Global Fund secretariat is drowning in work. They should publish a synopsis of all the proposals (good and bad) on the web. Some entrepreneurial investigation is needed to find out what is going on and who is supposed to get what money. Once this information is available, it will be a good start toward ensuring transparency and accountability.
- I agree. In India there is a big problem getting NGOs involved.
- On the accountability questions, Local Funding Authorities (LFAs) are all private auditing firms. Will NGOs have any allocative responsibility?
- (Mr. DeLay) I understood that the Global Fund sent funds directly to the government or to the civil society body most involved. I understood the LFAs to be “watch dog” entities that receive professional fees for their services, but not grant funds. The Global Fund must be convinced that the local NGO is real. I’m not surprised, however, if they have gone this route during the first round.
- What level of fees are paid? I am surprised at the high fees. I am reminded of a newspaper article in South Africa in which it looked as if half the national budget was being funneled through the LFAs. We should make sure that these funds are not lost and that we are not paying too much to look quickly at this.
- The civil society should be able to propose to the Global Fund secretariat the names of NGOs who could do this job.
- How are the LFAs chosen? Firms like Price Waterhouse can follow the money trail well, but can they evaluate programs? What about building up the capacity of NGOs to do this task. The LFAs should be building up the capacity of local NGOs and then phase out by leaving something behind.
- In Haiti, which was one of the first recipients of Global Funds, they are paying attention and actively holding the CCM to task and doing a good job. At the local level, all is fairly transparent.
- In China, the World Bank is doing a superb job and is making sure that that funds are spent properly. The Ministries of Health and Education are managing projects. People were brought to the U.S., UK and Australia to be trained. Why can’t the Global Fund set up something like that?

- How can we build cross-sectoral partnerships so that all this effort is sustained?
- The LFA gets a fee, not grant funds. The Global Fund should carefully determine that the receiver is responsible and trustworthy. The LFA is the best watch dog for that.
- Only 1-2 sentences are published on each funded proposal. How can we know if funding is being spent wisely if we don't know anything about the proposals? It would be fascinating to look at the balance by doing easy stuff like looking at the geographic spread.
- Are there are enough programs taking advantage of new trends, etc?
- Do we know if some treatment drugs are being funded? Some pie charts break down prevention versus care, but it is pretty much a macro analysis.
- I'm nervous about the Global Fund. At first, I thought there was only a small chance of success, but I'm more hopeful now.

#### **Discussion of Question Five:**

Are there any big issues/statements we want to make at plenary that will have the ability to impact the Global Fund? The Global Fund seems to be extremely open to suggestions now.

- I think the Global Fund is doing a wonderful job.
- I think the Global Fund could do a better job with regional proposals. During the second round, they had to get each CCM to sign off. This is cumbersome even for larger INGOs, but there are no incentives for governments to work together when there are serious cross border issues.
- I am always conflicted after working in HIV for the past several years, because I worry that we are trying to put too much on the Global Fund. A vignette from Ghana about this seems appropriate. A senior program officer was involved in a village sensitization session involving about 500 people. He was trying to present a comprehensive program that would integrate broader concerns other than HIV, and a guy stood up in the audience and said this: "Condoms, will somebody answer a question for me? What is a condom?" In lots of countries, there are well-evaluated programs, but what percentage of the country are they covering? And we wonder why prevention isn't working. The reach is too limited. Reaching further is not necessarily scaling up. Large amounts of money are not necessarily needed, just deeper penetration into the communities where you are already working.
- Just a suggestion, although I agree it might be best to leave the CCMs alone, they do need a budget template. We lost two months in Haiti because of arguments about where line items and expenses belonged. They also need clear criteria.

- The Global Fund should encourage proposals that strengthen the absorptive capacity building of local institutions, to strengthen private-public partners and leave skills behind. Don't squash local initiatives.