



USAID
FROM THE AMERICAN PEOPLE

Advisory Committee on Voluntary Foreign Aid

February 28, 2008 Meeting Report

USAID/A/AID
Room 6.9-073 RRB
1300 Pennsylvania Avenue, NW
Washington, DC 20523-7600
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Meeting Agenda



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Advisory Committee on Voluntary Foreign Aid

Public Meeting Agenda:
A Forum on Democratic Governance and Economic Growth

Thursday, February 28, 2008

National Press Club Ballroom
529 14th Street, NW, 13th Floor
Washington, DC 20045

9:00 am Welcome and Overview of the Forum
Ballroom

Dr. John Sullivan, ACVFA Chairman, and Executive Director, Center for International Private Enterprise

9:05 am Global Knowledge Sharing for Development:

Moderator:

Dr. Judith Hermanson, ACVFA Member and Senior Vice President, CHF International

Discussants:

Dr. Steve Gale, Principal Advisor for Strategic Communications, Bureau for Legislative and Public Affairs, USAID

William Hammink, Deputy Assistant Administrator for Economic Growth, Agriculture and Trade, USAID

Helga Leifsdottir, Advocacy and Information Management Branch, UN Office for the Coordination of Humanitarian Affairs

9:50 am Discussion and Questions from the ACVFA Members, Followed by the General Public

10:05 am Coffee Break



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10:20 am Cutting Edge Partnerships

Moderator:

Dr. Carol Adelman, ACVFA Vice Chair, and Senior Fellow and Director, Center for Global Prosperity, Hudson Institute

Discussants:

Corey Griffin, ACVFA Member and Director, International Development Aid, Microsoft Corporation

Lauren Moser Counts, Vice President, ShoreBank International Ltd.

Donald F. Terry, Manager of the Multilateral Investment Fund, Inter-American Development Bank

Jenny Hodgson, Director, WINGS Global Fund for Community Foundations

Dr. Robert Litan, ACVFA Member and Vice President for Research and Policy, Kauffman Foundation

11:30 am Keynote: Democratic Governance and Economic Growth

Introduction:

Dr. John Sullivan, ACVFA Chairman, and Executive Director, Center for International Private Enterprise

Presentation:

Henrietta H. Fore, Administrator, USAID, and Director of U.S. Foreign Assistance, U.S. Department of State

Discussion and Questions from the ACVFA Members, Followed by the General Public

12:15 pm Adjournment for Lunch (a list of area restaurants is available on the resource table)



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1:45 pm USAID and Partners – Experiences in High Growth Countries

Moderator:

Ted Weihe, ACVFA Member, and Senior Advisor, Land O'Lakes, Inc.

Discussants:

Dr. Simeon Djankov, Chief Economist, Indicators Group, Financial and Private Sector, World Bank

Dr. Mary Ott, Director, Office of Economic Growth, Bureau for Economic Growth, Agriculture and Trade, USAID

Mary Ryckman, Assistant U.S. Trade Representative for Trade Capacity Building, Office of the U.S. Trade Representative

Dorothy Taft, Director, Office of Democracy and Governance, Bureau for Democracy, Conflict and Humanitarian Assistance, USAID

3:15 pm Public Meeting Adjourns



ACVFA Membership



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February 2008

**Advisory Committee on Voluntary
Foreign Aid**

Committee Chairman

John Sullivan, Ph.D.

Executive Director
Center for International Private Enterprise

Committee Vice Chair

Carol C. Adelman, Ph.D.

Director, Center for Global Prosperity
Hudson Institute

Committee Members

Nancy Aossey

President and CEO
The International Medical Corps

Douglas Bereuter

President
Asia Foundation

Nancy Zucker Boswell

Managing Director
Transparency International USA

Lorne Craner

President
International Republican Institute

Ritu Sharma Fox

President
Women's Edge

Helene D. Gayle, M.D.

President and CEO
CARE

Michael Gerson

Senior Fellow
Council on Foreign Relations'
David Rockefeller Studies Program

Corey Griffin

Director, International Development Aid
Microsoft

Judith Hermanson, Ph.D.

Senior Vice President
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International Executive Service Corps

Nancy Lindborg

President
Mercy Corps

Robert Litan, Ph.D.

Vice President of Research and Policy
Kauffman Foundation

Stephen Moseley

President and CEO
Academy for Educational Development

Michael J. Nyenhuis

President and CEO
MAP International

William Reese

President and CEO
International Youth Foundation

Johanna Schneider

Executive Director, External Relations
Business Roundtable

Elise Fiber Smith

Senior Policy Advisor on Gender
Winrock International



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Constantine Triantafilou

Chief Executive Officer & Executive Director
International Orthodox Christian Charities

Ted Weihe

Senior Advisor
International Development Division
Land O'Lakes, Inc.

Aaron Williams

Vice President, International Business
Development
Research Triangle Institute

Deborah Wince-Smith

President
Council on Competitiveness

Kenneth D. Wollack

President
National Democratic Institute for
International Affairs

Sam Worthington

President
InterAction



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**Public Meeting
February 28, 2008**

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Mary Ryckman, Assistant U.S. Trade Representative for Trade Capacity Building, Office of the U.S. Trade Representative (USTR)

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OPENING REMARKS

Dr. John Sullivan, ACVFA Chairman, welcomed attendees and introduced six new members of the Committee: Douglas Bereuter, for 26 years a U.S. Representative and now president of The Asia Foundation; Deborah Wince-Smith, president of the Council on Competitiveness; Corey Griffin, who manages Microsoft's strategy for international development aid, trade, and finance agencies; and Johanna Schneider, executive director for external relations of the Business Roundtable. He also welcomed Helen Gayle, president and CEO of CARE USA, who was appointed to ACVFA prior to the last public meeting but was unable to attend until this one.

GLOBAL KNOWLEDGE SHARING FOR DEVELOPMENT

Moderator: Dr. Judith Hermanson, *ACVFA Member and Senior Vice President, CHF International*

The Global Development Commons (GDC) is a bold effort to democratize development, recognize the contributions of all stakeholders, and use 21st-century technology for development. One side of the development coin has always been the effort to understand and learn from experiences; the other is to translate theory into practice. Both sides are affected by new technologies.

Technologies are available today that were unimaginable twenty years ago—or even five years ago. We can bear witness to world events in real time, which shapes the way we view those events and can even affect their course. Text messaging has resulted in a new, succinct language. BlackBerrys and mobile phones keep us constantly in touch with others. The World Wide Web allows us to communicate with people all over the world. Each of these technologies offers new prospects for gaining and sharing knowledge.

Magical as these abilities might seem, technology does not in itself provide an answer, and may even complicate some efforts. Most would agree that access to certain kinds of basic information—such as market prices—is a good thing. But incorrect information can travel just as fast.

Dr. Steve Gale, *Principal Advisor for Strategic Communications, Bureau for Legislative and Public Affairs, and Director, the Global Development Commons (GDC) Secretariat, USAID*

The GDC is a bold initiative of Administrator Henrietta H. Fore's that is rapidly gaining momentum and widespread support. The GDC is a virtual space where development stakeholders share information and exchange ideas in real time. It will not be owned by any one government, business, or entity, but by the development user community as a whole. The GDC profits from recent dramatic changes in the development assistance landscape (including the growing importance of remittances, the arrival of major new foundation players such as the Gates Foundation, and private-sector support for development) and on fast-paced changes in communications—especially the Internet and mobile phones.

Internet usage is exploding in the developing world. There were over 1 billion Internet users in 2006, and more than half of the new users were from the developing world. By 2011, two out of every three Internet users will come from the developing world. In most developing countries, new Internet users are 20 times more likely to use mobile phones and other wireless networks than fixed networks.

Most major search engines like Google and Yahoo are focused on number of hits and search speed rather than information content, so it is vital that the GDC become a reliable and accurate development portal. Likewise, ease of access is central to GDC's success. A vast amount of information is available online, but it is not easy to organize, understand, or validate this information, so end users cannot always easily find what they need to solve today's development challenges. Many of today's Web sites and development portals were built explicitly for "top-end users" like government agencies, universities, think tanks, or other bilateral donors, rather than the beneficiaries of development. GDC is trying hard to reach those toward the middle and bottom of the "communications pyramid." The GDC is also taking advantage of the latest Web 2.0 technology (such as social networking, blogs, and wikis) to bring information to those who need it, rather than making end users search to find information. The GDC aims to organize development information so that the end user can find what he or she needs in only one or two clicks.

The GDC has four distinct goals:

- Accelerate real-time information sharing worldwide, especially among aid end users, recipients, and beneficiaries
- Catalyze a worldwide effort to build the next generation of information sharing platforms, or *Development Portal 3.0*
- Build partnerships with leading public- and private-sector organizations so that *Development Portal 3.0* is a shared effort
- Create the foundation for a USAID "Smart Portal" that will link all Agency Web sites and make it easier and more efficient to search for Agency information and best practices

GDC's vitality and leadership is pegged to working collaboratively with the private and public sectors to build and expand partnerships. GDC strongly welcomes public participation.

Helga Leifsdottir, *Advocacy and Information Management Branch, UN Office for the Coordination of Humanitarian Affairs (OCHA)*

OCHA tries to coordinate the activities of all players working to offer relief during humanitarian disasters. This is a huge job, requiring the transmission of a lot of information. To help improve transmission of information, OCHA created the Web site ReliefWeb in 1996. Specifically, the impetus was the poor communication among the hundreds of local and international organizations that came to work on the Great Lakes refugee crisis (in the aftermath of the Rwandan genocide in April 1994). Many of the first ideas in fact came from USAID.

Originally information on ReliefWeb was organized chronologically, but users had trouble finding what they needed. ReliefWeb/OCHA hired a consultant for what is known as "mental modeling": determining how users in the humanitarian field think. The consultant found that they think either

by relief sector or by country. The site was reorganized along those lines, and a new version of the site was launched in 2005.

ReliefWeb has offices in New York, Japan, and Geneva, so new information can be posted on the site around the clock. The site collects information from governments, national and international organizations, UN agencies, media organizations, and nongovernmental organizations (NGOs). Fifty percent of its information comes from NGOs.

The site's main challenge now is to foster, support, and maintain a community. ReliefWeb has 2,900 sources, and people generally come to the site for one of two reasons. First, it has become the largest library in the humanitarian field, though that was not its original intent. Second—and this is its most popular single use—it has become a job-listing site. Today ReliefWeb tries to tease users with information on all pages, so that someone who comes to search for jobs may stay to read about something else.

ReliefWeb/OCHA believes that while technology is an important vehicle in transferring information, to make effective knowledge out of this information, people still have to meet physically at times. It is not enough to meet only virtually. So ReliefWeb/OCHA calls together all members of its community regularly through regional and international forums. The first such international forum was held in 2002, the second—called Global Symposium +5 on Information for Humanitarian Action—in October 2007. As Lawrence Prusak, Founder and former Executive Director of the Institute for Knowledge Management and a speaker at the Global Symposium +5 said: “Knowledge is what groups of people know. It is deep, rich understanding, and deep with context, tacit heuristics. These are different from information, which is the message. Information can best be understood as a message. It has a sender, it has a receiver, it is bounded by a repository, and the intent is to inform you. Knowledge is a flow—it is what groups of people know.”

One event at the Global Symposium +5 dealt with the challenges related to the radically changed accessibility of information. Humanitarian information can be extremely sensitive. Posting information about someone in a place where anyone can find it could put that person at risk and the person who posted it at risk. Also, increased accessibility raises questions of reliability. No longer does information come first from a trained journalist sending a story to an editor, but from an ordinary person filming a crisis with his cell phone and uploading it. Can one base careful decisions on such information?

William Hammink, *Deputy Assistant Administrator for Economic Growth, Agriculture and Trade, USAID (EGAT)*

As a former USAID mission director whose focus was especially on implementation and results, Mr. Hammink said, he had not appreciated the potential of worldwide knowledge sharing before he came to EGAT. EGAT-funded portals and Web sites form the foundation of what will become the GDC.

In EGAT's experience, large-scale efforts depend on collaborative learning across the industry or the sector worldwide, and across communities of practice. One can truly multiply the impact of limited resources by influencing whole industries and development sectors. In the

microenterprise arena, for example, USAID is seeking to identify key constraints across the whole sector and trying to fund programs that ease those constraints. In working to generate and capture knowledge into various microenterprise programs from the outset, the Agency has used a Web site or portal and other collaborative learning methods. That knowledge will then be offered to other major funders, foundations, and microenterprise programs around the world.

EGAT hosted a knowledge-management fair on February 22, mainly for USAID employees. One common theme that arose was that networks and communities of practice require significant maintenance.

EGAT supports several portals and Web sites, including:

- microLINKS (www.microlinks.org), an award-winning portal for broad, interactive communication with the microenterprise community and industry, and with communities of practice around the world; a marketplace of ideas and innovations; and a hub of interactive applications and tools for microenterprise learning, information, and knowledge sharing
- The Trade Capacity Building database (<http://qesdb.cdie.org/tcb/index.html>) is a more static Web site where anyone in the world can find information on the U.S. government's "trade capacity building" programs and initiatives
- The Business Growth Initiative (www.businessgrowthinitiative.org), a knowledge portal that provides information and content on best practices in designing and implementing enterprise-development programs; brings together the business-development community using various tools including the Daybreak Discovery Series, international seminars, and technical briefs; and shares lessons learned, recent events, and research
- FrameWeb (www.frameweb.org), an online resource available in three languages that supports knowledge-sharing and collaboration among natural resource management professionals around the world through its communities of practice, so-called threaded discussions, and partner pages
- The Global Learning Portal (www.glp.net), a multilingual learning network for educators worldwide, with more than 5,500 members in over 130 countries and over 60 different tools including wikis, blogs, document libraries, and search engines

Today, EGAT is actually concerned about the seeming proliferation of USAID-supported portals and Web sites. EGAT alone supports over a hundred of them. Some in EGAT believe that the more sites, the better for sharing knowledge. Others note that they are costly and believe EGAT should take a more careful and strategic approach.

EGAT will work with Dr. Gale and others to establish USAID-wide standards and guidelines. It will try to determine the most cost-effective ways to set up Web sites and portals, and try to ensure that the information in them is somehow archived. Many USAID-supported Web sites are project-driven, meaning that they are the product of a contract or grant that ends after three to five years. What happens to those sites after the grant or contract ends? How can USAID involve its partners in sustaining those sites if they are useful? EGAT is also grappling with

questions about what should be kept inside the USAID firewall and what belongs outside it. And EGAT is working to improve the integration of knowledge management into the development process.

USAID and other major donors are working on several substantial initiatives in cooperation with companies like Intel and Microsoft. One called the Last Mile Initiative aims to expand Internet access to users around the world.

Questions and Answers

Stephen Moseley, ACVFA Member, said that very few in the development field are experts in how to search for and keep information. Development agencies need to figure out how to make all users better at manipulating information, so that they are not dependent on a small group of experts. He said that, in his experience, these efforts are difficult without a core group of young, enthusiastic, recently educated users invested in pushing information out to the rest of the world. He asked how these sites could be made more broadly usable.

Dr. Gale said that the answers were not all there yet. It seems clear that Web-based communication is changing the world, without USAID taking a very active role. The development community's role is to accelerate what's already happening, and to learn firsthand from the people who are already doing it.

Mr. Hammink said that EGAT has learned that communication portals must be demand-driven. People come to them to solve a problem.

Corey Griffin, ACVFA Member, noted that a lot of efforts are under way already. He asked how USAID proposed to combine these efforts, or to collaborate with others.

Dr. Gale said that at a meeting in late November, a threefold plan was developed, to include:

- Outreach and partnering. This will include additional outreach meetings and conferences outside of Washington, D.C. A GDC forum and conference will likely be held in Asia, for example, to generate further interest and recruit public and private partners.
- The development of a USAID Smart Portal. This will entail a review of all the roughly 300 portals, spaces, and Web sites owned or funded by USAID. Those working on the GDC will try to learn from the best of these, and seek ways to measure effectiveness.
- Interaction and dialogue. Those working on the GDC will explore creating a virtual space where ideas about information sharing can be discussed.

Gary Gerriot of Winrock International said that at a recent World Bank seminar on Internet access he learned that individual access to the Internet currently stands at about 1 percent worldwide. That lack of access is mitigated to some extent by telecenters. On the other hand, every minute 1,000 new cell phones are put into use. There are 3 billion phones in the world today, compared to 1 billion bank accounts. The world count went from 1 million to 3 billion phones in 14 years, and in the Philippines alone 700 million Short Message Service (SMS) messages are exchanged every day. Mobile phone users represent an enormous base of users, in other words. He asked whether the GDC's intended end users included villagers, and if so, whether USAID contemplated linkages between Web-based platforms and mobile applications.

Dr. Gale said that yes, the Agency intended to develop those linkages. He cautioned that merely because a phone had Web capabilities didn't mean that people used them. In fact few people do.

Maria Madrid, knowledge management senior advisor in the Analysis, Information Management, and Communication office of the Global Health Bureau, asked whether USAID's human resources department and those trying to create the GDC would be working to change performance measures and reward work on knowledge-sharing communities of practice.

Mr. Hammink agreed that that needed to be done.

Dr. Gale said that Administrator Fore was aware that change only comes with qualified people and funding. USAID has discussed creating a knowledge-coordinator position for every entity in USAID. The Agency will not turn into an information-technology-focused organization overnight, but it is trying to improve.

CUTTING-EDGE PARTNERSHIPS

Moderator: Dr. Carol Adelman, *ACVFA Vice Chair, and Senior Fellow and Director, Center for Global Prosperity, Hudson Institute*

The developing world has changed in several important ways in recent years. First, an increase in open markets and open societies has led to a more skilled labor force and more local talent. Second, private philanthropy, remittances, and local charities have all become far more important sources of funds. Third, new technologies have led to expanded knowledge and demand. Together, these changes mean that there are many new opportunities to be found in the developing world.

Private capital and philanthropy exceeded public development flows for the first time in 1990. Remittances surpassed public flows in 2000. The bulk of developed countries' interaction with developing nations is now through investment, philanthropy, and remittances. Official government aid is now a minority shareholder that needs to work and interact with the others. Today U.S. business investment and lending represents 36 percent of total U.S. engagement with developing countries. Official Development Assistance (ODA) represents 14 percent. U.S. private assistance, including remittances and all donations but not investment or lending, accounts for \$95 billion, 50 percent of U.S. engagement with developing countries and more than all aid from government donors in the world. Of that 50 percent, remittances account for 65 percent, and private voluntary organizations (PVOs) and volunteer time represent 17 percent. Although ODA from the United States is among the lowest of all developed countries as a percentage of Gross National Income (GNI), with remittances and private assistance included its total assistance to developing countries is among the highest.

The new landscape of international private assistance includes:

- Remittances
- Philanthro-capitalists (also known as social entrepreneurs) such as the Ashoka Fellows, Acumen, Endeavor, ShoreBank's microlending banks, and even certain travel agencies
- A new focus on doing business with the poorest people in the world

- Cause-related marketing in which a percentage of a purchase is donated, worth perhaps \$1.5 billion worldwide
- ePhilanthropy through sites such as Global Giving and Kiva.org, which reduce transaction costs and increase transparency

Given these changes, how can USAID participate in global development most effectively? First, aid projects will have to be flexible to deal with diverse and changing problems. Much of the world now has problems with aging and chronic diseases due to better survival. Decades-old legislative mandates and five-year plans won't be sufficient for finding targets of opportunity.

Second, USAID should encourage competition for demand-driven ideas. The Agency should act like a foundation and ask for applications based on PVOs' own ideas, not merely hold competitions for defined contracts.

Third, all work must be based on partnerships, including host nation co-investment and peer-to-peer relationships. All of the doctors who train in the United States and then return to Africa have professional associations now; USAID's doctors need to work with them.

Finally, USAID must place a premium on transparency, efficiency, and results. There are no more excuses for a lack of evaluation measures in USAID, and there is no excuse for keeping 90 cents of every AIDS or malaria dollar here in the United States—the subject of a recent congressional hearing.

Dr. Robert Litan, *ACVFA Member and Vice President for Research and Policy, Kauffman Foundation*

The Kauffman Foundation, based in Kansas City, has a mission that focuses in part on entrepreneurship—the subject of the Foundation's new book *Good Capitalism, Bad Capitalism*. One of the things discussed in that book is that entrepreneurship cannot happen without the rule of law. There must be an institutional framework to guarantee that people get paid for their work. Law is not for small shops where the people know each other; it is for strangers. Larger-scale businesses are impossible without law.

People think that large-scale businesses can only arise in the developed world, but that is not true. The rapid growth of cell phone usage in Africa has been fueled by indigenous companies. When Microsoft Chairman Bill Gates discusses creative capitalism, he appears to concentrate on persuading large companies to engage in bottom-of-the-pyramid business strategies, but creative capitalism also needs to promote bottom-up entrepreneurship within developing countries.

It took two hundred years to develop the rule of law in the United States. Many countries are far behind. Many also have what is known as oligarchic capitalism—bad capitalism—where all the money and power is concentrated in the hands of a few. When power and money are so concentrated, rulers do not give high priority to economic growth for the rest of their economies. Unfortunately, a lot of USAID money goes to oligarchies, and some of that money ends up in Swiss bank accounts. This is why NGOs are so important: they can circumvent governments and invest on the ground.

There is some good news. First, there are efforts by USAID, the Center for International Private Enterprise (CIPE), and others to, in effect, infiltrate oligarchic societies and teach leaders and ordinary citizens about the rule of law. The oligarchs may not realize that by establishing the rule of law they are laying the foundation for change in their societies.

Second, the World Bank's *Doing Business* reports have been enormously powerful. Simply making information available on how good or bad a country is for business can bring pressure to bear even on oligarchs.

Third, it may be possible to use Internet technology, cell phones, and companies like eBay as surrogates for a legal system. eBay establishes trust ratings for its users—platforms like that might be able to circumvent poor local rules of law.

Finally, awareness of the power of good capitalism is beginning to spread. Last year the British government, the Kauffman Foundation, and others sponsored Entrepreneurship Week. This November, Entrepreneurship Week is "going global," with participation not only by the British government, Kauffman, and other U.S. and global private-sector partners, but also partners from governments and the private sector in many other countries, including those in the developing world.

The Kauffman Foundation has developed an entrepreneurship training program called FastTrac, which is in use in 270 locations around the United States. One doesn't need to go to business school to be an entrepreneur, but one may need five or six weeks of training in the basics. The Foundation has been approached to bring FastTrac to other countries, and welcomes discussions of suitable partnerships to accomplish this goal.

Jenny Hodgson, Director, WINGS Global Fund for Community Foundations

The Global Fund for Community Foundations (GFCF) began as a partnership of the Ford Foundation, the Mott Foundation, and the World Bank to test the potential of local philanthropic institutions to drive development. The partnership made its first grants in October 2006 from a total grant pool of \$1.2 million, and has made four rounds of grants so far.

In many parts of the world, institutions of local philanthropy are still a nascent sector. In its grant-making approach, the GFCF emphasizes the value of three defining characteristics: that these institutions raise funds, make grants, and are governed locally.

1) Fundraising from local sources

In many parts of the world, systems of social reciprocity are strong, and these have kept societies from falling into greater poverty. But the public lacks trust in institutions, so they have not tended to contribute to public institutions or foundations. Well-managed, local grant-making foundations can offer a way to donate in transparent ways, pooling a diverse range of donors. They can encourage gifts of very small amounts of money. If one can build institutions people trust, one can use the resources that are there as a force for local development.

2) Making grants

Recent years have seen the emergence of a new generation of African grant makers, although weak capabilities among potential grantees means that most engage in some kind of institution-building activities, and that there are very few pure grant makers in sub-Saharan Africa. Local grant-making organizations that are in their communities for the long haul can bring insights to the development process that one may not have from afar. But they must first demonstrate that they can make good grants and achieve results. That will in turn encourage people to give to them.

3) Strong local governance systems

A lack of good governance, transparency, and accountability are the barriers to philanthropy and development in many parts of the developing world.

Developing local philanthropy is long-term work. These institutions will not emerge overnight. It takes a leap of faith for donors to make the necessary long-term commitment, a potentially difficult request when many funders want short-term results.

Lauren Moser Counts, Vice President, ShoreBank International Ltd.

ShoreBank was founded on the South Side of Chicago in the early 1970s by four entrepreneurs who bought a failing local bank called South Shore Bank. The bank's previous ownership was trying to leave the area because it didn't know how to work with the new, largely black community. ShoreBank took on a "double-bottom-line" mission, lending for profit and social development, with the approach that deposits raised in the neighborhood should be lent in that community, not elsewhere. It had \$80 million in assets then and has \$2.2 billion now, with operations in Chicago, Cleveland, Detroit, and the Pacific Northwest. Within the last few years the bank has added the element of conservation to its mission, creating a triple bottom line. It is active in lending to small businesses, nonprofits, and commercial and residential real estate developers.

ShoreBank began its international work in the early 1980s. Its founders were introduced to like-minded individuals overseas who were trying to begin making very small loans in their nations. ShoreBank is not a microfinance lender in the United States, instead targeting small and medium-sized businesses, but the idea of the democratization of credit was one of its founding principles.

ShoreBank's four founders visited Pakistan, Bangladesh, and India to help microfinance pioneers develop their strategies. These pioneers included the Grameen Bank, BRAC, and the Pakistan Rural Support Programme (which eventually founded the First Microfinance Bank). That exchange of ideas enhanced local organizations and brought lessons to ShoreBank from the international community. The early 1990s offered an opportunity in the transitioning economies of Eastern Europe, and ShoreBank had a great impact by helping bankers there become more effective in targeting small to medium-sized businesses. It and the Polish-American Enterprise Fund helped private Polish banks set up small business lending units that went on to lend \$50 million in the sector.

When ShoreBank investment fund ShoreCap International looks for promising investments in microfinance institutions (MFIs) in Asia and Africa, it faces challenges. There is a first tier of

sought-after MFIs, but those in the second tier often have problems with governance, risk management, or transparency. USAID could use grants to help prepare fledgling institutions to receive greater investment. There is local capital available for investment in many parts of the world. Banks also have very liquid funds—but they often aren't inclined to put money into small business or microfinance because of the perceived risk, or else they don't know how to target these businesses prudently.

Corey Griffin, *ACVFA Member and Director, International Development Aid, Microsoft Corporation*

Bill Gates has called on governments, NGOs, and businesses to extend the reach of global capitalism. He is talking about sacrificing the bottom line to reach more people. That is supported by Microsoft's initiative, announced last year, to reach the next 5 billion people on the planet. That is an ambitious goal, but necessary to help developing countries participate in the global economy.

The initiative translates into three specific aims:

- 1) Transforming education, which includes programs for teacher training
- 2) Fostering local innovation, giving people the information and communications-technology skills they need to develop and grow businesses
- 3) Creating jobs and opportunities through Community Technology Learning Centers, of which Microsoft has built about 29,000, and through Microsoft's partnerships with organizations like the International Youth Foundation, which provides training for about 40,000 youths

This campaign is funded this year at about \$125 million. The group in charge of it has a mandate to measure these three aims against the goal of making technology accessible, relevant, and affordable for the base of the pyramid. It combines a bottom-up with a top-down approach.

This is a long-term goal, but Microsoft does expect to make a significant impact. The company has partnerships with 30 aid agencies around the globe, including a recent Memorandum of Understanding that includes USAID, the President's Emergency Fund for AIDS Relief (PEPFAR), and the Millennium Challenge Corporation (MCC).

Donald F. Terry, *Manager of the Multilateral Investment Fund, Inter-American Development Bank (IDB)*

The Multilateral Investment Fund has \$1.8 billion to invest in small demonstration projects in the private sector, including partnerships with many of the organizations on this panel. It tries to bring these demonstration projects to a larger scale.

Ten years ago IDB started looking into the issue of remittances and discovered that no one had any information on them. So it started to take surveys, and learned from the results that existing estimates on remittances were off by between 100 and 500 percent. Since then reporting has improved greatly, so the amount of known remittances has jumped dramatically.

Why weren't remittances counted before? It wasn't because it was difficult, but rather because the people involved "don't count," not the senders or the recipients. To macroeconomists, \$100 here and there didn't warrant being counted.

There are 200 million "economic migrants" in the world. Three-quarters send money home on a regular basis. The typical family receiving remittances has 5 to 6 people, or approximately 600 million people receiving money. That's a total of 750 million people involved at one end of the transaction or the other, one in ten people on earth—not including the 100 million economic migrants within China sending money home from cities to the villages. At \$300 billion remittances constitute by far the world's biggest poverty-reducing program. That amount is more than all of the net foreign direct investment in the world.

Remittances are not the world's biggest economic development program, however, because the people involved are largely outside the financial system.

When IDB first started investigating remittances, it was outraged at the transaction costs involved. Western Union was charging 15 percent for each transaction. The reason was that the mainstream banking and financial system wasn't interested in this market. Today, the cost of sending money to Latin America has been reduced by two thirds. Ten years ago Western Union had 70 percent of the market share in Mexico; today it has 15 percent.

Can the development community use these resources so that money going back home can become part of an economic development program? Macroeconomists would like that idea. They would like to channel all this money toward more productive purposes. The problem is that it's not their money. Those in the development community need to give people making and receiving remittances more options so that they can use their own money more productively.

People migrate because they don't have opportunity and hope at home. Remittances are not a development strategy, they are what happens because of the lack of opportunity in developing countries. Those working in development need to give hope, particularly to young people.

KEYNOTE: DEMOCRATIC GOVERNANCE AND ECONOMIC GROWTH

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

The Administrator opened her remarks by noting that as of that morning, the Bureau for Asia and the Near East had been split into two entities: an Asia Bureau that reaches as far west as Afghanistan and a Middle East Bureau that starts to the west of that.

Since ACVFA's last meeting, the Administrator said, she has received updates from the Committee's working groups periodically. In January, she met with representatives from ACVFA to discuss the final recommendations of the Humanitarian Assistance and Investing in People working groups. She thanked those groups' leaders—Nancy Lindborg and Stephen Moseley—for their hard work and dedication.

USAID has begun several efforts with the working groups based on their recommendations.

- The Agency is cooperating with the working groups on Economic Growth and Governing Justly and Democratically on ways to strengthen cross-training of USAID's economic growth and democracy officers.
- USAID's Office of Acquisition and Assistance is cooperating with the Implementation Mechanisms working group to improve procurement regulations.
- The Humanitarian Affairs working group, in consultation with the Office of Foreign Disaster Assistance, is creating a plan for transitions from relief to reconstruction efforts.
- The working group on Investing in People, consulting with USAID's Education Office, is preparing criteria for the next generation of USAID education officers.

The Administrator encouraged ACVFA to establish a working group focused on strengthening the American consensus for foreign assistance. This would be in line with the GDC, creating greater awareness of development and humanitarian assistance work in the developing world.

Since the last meeting, the Administrator said, she has met with a range of government officials at the Organisation for Economic Co-operation and Development (OECD) and has gained strong endorsements for the concept of the GDC. USAID is exploring ways to advance the idea with other donor agencies as well. In late January, USAID sponsored a presentation on the GDC at the World Economic Forum in Davos, Switzerland. There the Agency received much encouragement from private-sector technology companies whose executives want to help. Universities and foundations are eager to become part of the GDC and are offering valuable suggestions.

The Administrator has established, staffed, and funded a Secretariat within the Office of Development Partners to focus exclusively on advancing the GDC. This Secretariat is working closely with the Chief Information Officer to identify "information silos" and create a "Smart Portal" that offers access to all of USAID's Web sites. The suggestions of ACVFA and the PVO community are most welcome, and will have a significant impact.

ACVFA has had a substantive advisory role in the preparation of USAID's new Strategy for Economic Growth, soon to be released. The Administrator offered a preview. First, the Strategy will recognize that much has been accomplished. From 1950 to 2004, the portion of the world's population living in extreme poverty fell from 55 percent to 21 percent. That record should give us reason for optimism as we seek to promote further economic growth and reduction of poverty.

Research shows a strong and encouraging correlation among economic growth in the developing world, a rise in tolerance, peaceful resolution of social and economic conflicts, and support for democracy. Good democratic governance in turn enhances prospects for further economic expansion. USAID's goals in these key areas are mutually reinforcing. Economic growth and the promotion of democracy are the keys to achieving America's transformational diplomacy goals.

In this regard, the Strategy has important operational implications. For example:

- It will make a priority of improving the business climate for enterprises of all sizes and in all sectors. As Dr. Litan and his colleagues note in *Good Capitalism, Bad Capitalism*, the

foremost requirement of a successful entrepreneurial economy is that “it must be relatively easy to form a business, without expensive and time-consuming red tape.” USAID is the leading donor in support of these kinds of critical economic reforms. Excluding China and Saudi Arabia, it directly supported two-thirds of the reforms implemented by the world’s top ten reformers last year, as reported in the World Bank’s latest *Doing Business* report. The Agency will continue to support such reforms.

- Work in agriculture and other specific sectors will continue to be important where those sectors are significant elements of local economies and/or particular pockets of poverty. This sector-specific work complements and reinforces USAID’s business-climate reform efforts.
- The Strategy promotes a pro-growth and pro-poor agenda simultaneously, because it is the smaller businesses and marginalized people who are most often excluded due to poor governance systems. Under an improved business climate, women are often the leading beneficiaries.

The Strategy is a credit to many in the PVO community who have championed new approaches for years, in agriculture and, more broadly, by strengthening the voice of the private sector through business chambers and associations. It will provide a platform for all of USAID’s stakeholders to spread the word about what works—and what efforts everyone should continue to pursue to lift more of the world’s citizens out of extreme poverty.

People have a better chance of rising out of poverty when they have access to legal systems that help them build and retain assets. To this end, USAID has participated actively in the United Nations’ Commission on Legal Empowerment of the Poor. The Commission, co-chaired by Madeleine Albright and Hernando de Soto, was established in 2005 to spur the development of legal and economic institutions that include the poor and respond to their needs. The Commission has provided guidance on how to increase access to a functioning property rights system, increase access to justice, make it easier to form a business, and assure labor rights.

USAID also recognizes that the common interests of democratic governance and economic growth are advanced by effective measures against corruption, and has been on the cutting edge of anticorruption work in the development community. It has included anticorruption in its development framework since the mid-1990s. The Agency’s Anticorruption Strategy, released at an ACVFA public meeting in 2005, provides an expanded framework that examines both the economic and political foundations of corruption and highlights the importance of comprehensive efforts that not only target the symptoms of corruption but also address its root causes: unaccountable political leaders, weak checks and balances, and lack of access to information.

The Administrator concluded by highlighting the President’s FY 2009 budget request for development. ACVFA always devotes careful attention to USAID staffing, and the President’s budget request provides for a major increase in foreign service personnel through what USAID is calling the Development Leadership Initiative. The Agency urges Congress to approve this budget proposal, so that it can increase the number of foreign service officers by 300 per year for the next three years. This would be a net increase above replacing officers lost to attrition.

The budget request for FY 2009 would cover salaries and other operational expenses associated with the Development Leadership Initiative, including foreign service pay modernization and enhanced physical security overseas. USAID must have full funding for the Initiative if it is to meet America's global responsibilities. The Administrator asked ACVFA members and the public in attendance to share the good news of successes in global development and the realistic hopes the Agency shares to continue progress against poverty, hunger, disease, and oppression.

Questions and Answers

John Sullivan, ACVFA Chairman, thanked the Administrator for her support of the working groups, and noted that one of the working group recommendations was in fact an increase in the number of foreign service officers. Another of the key recommendations was that economic growth strategies be married to the promotion of democracy, and that recommendation has also been taken up in the new Strategy for Economic Growth.

Ted Weihe, ACVFA Member, asked when the Strategy for Economic Growth would be released.

Patricia Davis, Senior Advisor for Democracy in the Office of the Administrator, said that the Strategy was close to being finalized within the interagency process, and that it would likely be made public within a month or two.

Administrator Fore added that the Development Policy Coordinating Committee has been reconvened, helping to create a sense of urgency for the actions USAID wants taken.

Carol Adelman, ACVFA Member, asked how European bilateral donors and multilateral agencies had reacted to the concept of the GDC.

Administrator Fore said that the day before, USAID had hosted a group from Russia to consider how that nation should organize its development agency. The GDC is just the sort of place a group like that would go for information related to such an undertaking. The Agency has received officials from Poland, Romania, and Bulgaria who were thinking through similar problems. Officials from all nations use the Internet and are looking for best practices. Because the United States has led in development efforts in recent decades, it is important that it share its best practices with the world. At the World Economic Forum, corporate representatives overwhelmingly expressed a desire to reach out and do good deeds—not merely to do good but to reach more people in the developing world. The other group very interested is the OECD, because of the best practice of linking economic growth and democracy.

Stephen Moseley, ACVFA member, praised the staff increase included in the President's budget request. He asked if the Administrator could comment on the news that the budget also returns to a more appropriate balance between development assistance and security and emergency needs.

Administrator Fore said that development assistance was up 60 percent in this budget request over last year's. Twenty percent of that increase can be attributed to the new one-country, one-funding-source approach, which would group all developing, transforming, or sustaining partner

countries in the development assistance budget category. The remaining 40 percent consists of additional money. In all USAID funding is up approximately 10 percent over last year's budget, which is significant in this budget climate. Everyone must raise his or her voice on the importance of foreign assistance to the American national interest.

Laura Henderson of the Christian Children's Fund asked for an update on foreign assistance reform, in particular how those reforms might be affected by the recent release of the Helping to Enhance the Livelihood of People around the Globe (HELP) Commission Report and the Minority Report.

Administrator Fore said that the Agency has read these reports with great excitement, because they were helping USAID think about what foreign assistance should look like in the future. The Administrator said that she did not think the President was likely to suggest a change in government structure before the end of his term, but the Agency has begun to talk to nonprofits about what foreign assistance should look like in the future. Development is best when it is broad and informed by all sectors.

For example, the President's current budget request includes \$625 million for education, and USAID wants to hire more education officers. But at what levels they should be hired and where their focus should be are both open questions. The foreign assistance budgeting framework has also shifted: now the field is the focal point of discussions on budget priorities. USAID is asking field teams to gather with all partners to develop their programs. This year the Agency hopes to spend only between 20 and 80 percent of the time it spent last year on preparing its country budgets. A number of other efforts are under way, including creation of a facts database that the Agency hopes will be transparent for those on the Hill, in NGOs, and in government agencies. That database will offer a much finer-grained picture of field activities than is currently available. It should show how foreign assistance is working.

Bob MacAlister, a representative for Volunteers of Bangladesh, commended the Administrator for her emphasis on scrupulous accounting practices. USAID has sent funds to many countries that end up in ministers' Swiss bank accounts.

Administrator Fore said that USAID is now forming a new office for monitoring and evaluation. It is important that the Agency maintain high standards of accountability for all funds it invests.

Frances Brigham-Johnson of Strategic Planning Initiatives noted that in a previous lecture, Dr. Sullivan had pointed to an important difference between economic development and economic freedom. She said she hoped that the new foreign service officers would devote some time to exploring that distinction, which has a long history in America.

Administrator Fore said that USAID is now asking that all of its staff members and foreign service officers go through private-sector training. The Agency has also heard much evidence from its European counterparts that microenterprise has taken off around the world. What is needed now is an entrepreneurs' fund to encourage small and medium-sized businesses to get involved.

Ed Kenny of Handicap International asked about USAID's commitment to people with disabilities, given that they are some of the most vulnerable people in the developing world.

Administrator Fore said that the Agency is just now thinking through the issue and would follow up with him in the future.

Eileen Cosby of the Filipino Family Fund thanked the Administrator for raising the idea of private-sector training for State Department workers. Too often the United States empowers oligarchies, perpetuating cycles of poverty. She said that the goal should be to help small and medium-sized entrepreneurs. She noted that the State Department categorizes human rights violations in its Trafficking in Persons (TIP) Report and asked whether USAID had given any thought to using that report to guide appropriations for countries.

Administrator Fore said that the Agency and the State Department had just begun its roundtables on each country, and that those discussions would bear fruit in years to come.

USAID AND PARTNERS—HIGH GROWTH COUNTRIES

Moderator: Ted Weihe, *ACVFA Member and Senior Advisor, Land O'Lakes, Inc.*

USAID has been engaged in a discussion concerning how to combine democracy, the rule of law, and economic development. ACVFA has expressed its frustration in the past with how USAID has kept programs in these arenas strictly separate. Hopefully that is changing. A problem that remains, though, is that of \$1.8 billion in the development account about \$1.2 billion is earmarked, meaning that funding discussions pertain to the remainder alone. ACVFA respects Congress's right to earmark, but the practice has unfortunate effects.

It is not necessarily simple to combine democracy and economic growth. Other models are available. China has had the greatest economic growth in the world; it is not a model of democracy and open government. Conversely, Kenya shows some of the conflicts that can arise from democracy.

ACVFA considered which "high-performing" countries (and regions) to consider on today's panel. It didn't want to examine the same old examples—Korea, Botswana, or Thailand. So the panel will discuss Central America, Indonesia, and Rwanda.

Dr. Mary Ott, *Director, Office of Economic Growth, Bureau for Economic Growth, Agriculture and Trade, USAID*

Neither democracy and governance nor economic growth can be planned in a vacuum. Economic growth requires policy decisions that happen in the context of democratic governance. It makes a big difference whether a government listens to its people or not. Any work with economic growth has to be very conscious of the state of democracy. Donors can't impose reforms anywhere; rather, reforms must be adopted and implemented by the host country.

Conversely, people choose to participate in democracy because they care about issues that affect them, and pocketbook issues always loom large. To promote democracy, then, one must also work to foster economic growth.

Three aspects of the link between economic growth and democracy promotion are worth noting:

- USAID has been successful when it supports in-country advocacy efforts devoted to economic reform and growth. Both reform and growth are much healthier and more credible if local groups advocate for them. In particular, USAID has been helpful in supporting local organizations that analyze policy and make policy proposals. Sometimes the results aren't what the Agency would have recommended, and yet, if there was a good process, one should let the resultant policy be vetted and tried. Think tanks analyze policy proposals, train future leaders, and provide input to legislatures. In the beginning many think tanks, especially those on the left, need funding support from donors, but as they mature they take their places in democratic civil society.
- Reforms must take into account the needs of the poor and disadvantaged. This can be a complicated exercise. Panama once had specific import duties—for example, something like \$1 per pair of shoes. In effect that meant Gucci loafers came in untaxed and cheap flip-flops doubled in price. USAID proposed that Panama change its import duties to an *ad valorem* system. In fact, in many places, the items hit by import duties are often items disproportionately consumed by the poor. NGOs sometimes seem to miss the distributional impact of their policy proposals—for example, when they oppose reducing electricity subsidies because this will hurt the poor. In some countries, many poor households don't have access to electricity. A better analysis would consider ways of structuring rates so that those whose electricity use involves two light bulbs pay little, and those who are richer pay more.
- It is important to construct a shared agenda for economic growth and democracy and governance. In Rwanda, economic reform proposals have been constructed by committees in the government reaching out to universities. In the past, producing for export in the developing world meant having a close relationship with someone high up in the government. Trade breaks that link, because the market exists outside the country. No longer does one need a minister's goodwill to sell, because the market is independent of that minister. Once one can create a market based on trade, businesses can grow independent of the government. That is very healthy.

Dorothy Taft, *Director, Office of Democracy and Governance, Bureau for Democracy, Conflict and Humanitarian Assistance, USAID*

The Office of Democracy and Governance enjoys a close working relationship with EGAT. Many democracy and governance programs also foster economic growth.

The USAID democracy and governance program in Indonesia is a good example of such a program. It was designed to support decentralized local governments and grassroots citizens' movements, and supported economic growth as a grassroots priority. In the past, government in Indonesia was highly centralized, with mayors appointed by the central government. The public

was kept in the dark about budgets and planning, what development initiatives were in place, what schools and roads would be built. That changed with the fall of the Suharto regime and the rise of reformists. Local governments are now elected and have more power.

USAID funded a local government support program, administered by the Research Triangle Institute, to:

- Improve local government policy and planning
- Enhance local governments' ability to effectively and efficiently manage their resources and services
- Develop more representative and participatory governments
- Strengthen civil society and the media
- Make local government more responsive, transparent, and accountable

As a consequence of these programs, for the first time local governments can gather public input through consultation. Communities are requesting assistance for small and medium-sized businesses. These advances represent a major breakthrough, showing real results in the lives and livelihoods of everyday people.

In another effort, USAID has undertaken to bolster the legal empowerment of the poor. Two-thirds of the world's population remains desperately poor, excluded from expanding markets, deprived of their political voice and human rights. Poor women are often blocked from owning property. Poor people do all their business in an economy that exists in the shadows of the law, governed by informal local norms. Such people don't expect protection from legal governments, only discrimination and corruption. By excluding the poor, some legal systems have fostered widespread underground economies, corruption, criminality, and disrespect for the rule of law. USAID's project focuses on four crucial legal tools heretofore missing in efforts to aid the poor:

- Legal property rights
- Business rights
- The rights of workers in formal and informal economies
- Equal protection under the law

Mary Ryckman, *Assistant U.S. Trade Representative for Trade Capacity Building, Office of the U.S. Trade Representative (USTR)*

Trade is a hot-button issue in domestic politics. There is a perception that if one country gains jobs, another loses. What USTR aims to do is grow the global economic pie, so that jobs are created not just in Ohio and Texas but in countries around the world.

In 2001, the World Bank issued a report showing that "faster growth rates from expanded trade in globalizing developing countries [do] result in income gains for the poor proportionate to other income groups." Trade liberalization helps the poor. It is not necessarily a smooth transition or one that happens in every case. This reality only underscores the need for agencies like USAID to coordinate and collaborate with USTR.

The World Bank has also reported that per capita income grew nearly three times faster in countries that lowered trade barriers in the 1990s than in those that did not. Trade liberalization also goes hand in hand with domestic reforms. Studies show that trade openness is linked to

key macroeconomic and governance policies that enhance growth. Inflation appears to be lower in open economies. Studies also show that losses from corruption increase with trade openness, which gives an incentive to more open societies to develop better institutions.

There is considerable debate about the Central American Free Trade Agreement (CAFTA). The World Bank has issued a report on CAFTA showing that economies that have signed free trade agreements tend to see an increase in their overall growth rates by about 0.6 percent annually during the first five years. In the case of CAFTA, this would mean half a million fewer Central Americans would be living in poverty by 2010. But the World Bank also says benefits for the poor only come about if one pays attention to complementary assistance and focuses on institutional and regulatory reforms, innovation, education, and adjustment for the vulnerable sectors of the economy.

When USTR was negotiating CAFTA, consultations between civil society and governments were essential, in part because Congress demanded them. For governments that had little contact with people outside of their cities, USAID helped them send their negotiators into the countryside to meet with civil society representatives. USTR encouraged Nicaragua to keep a log of these meetings, which helped when Nicaragua's representatives spoke on the Hill and were asked what civil society consultations they'd done. El Salvador held its first public hearings ever on CAFTA. Indigenous groups in Guatemala thanked USTR for ensuring that government procurement rules and regulations would be included in trade agreements.

Yes, USTR negotiates trade agreements because American businesses want good customs activities and predictable, transparent government procurement rules so that they are not discriminated against by the governments doing the procuring. But those rules apply domestically also. CAFTA requires that governments make public all laws relating to the elements of the agreement, which is essential to good governance.

USTR has regular conversations with countries about whether or not these requirements are being implemented. CAFTA is the first trade agreement to have a committee for "trade capacity building," in which all the assistance agencies participate alongside the World Bank, the IDB, and others, and the United States can ask regularly what help governments need to carry out CAFTA's requirements in various areas. The committee is required to meet twice a year and provides an annual report for the duration of the transition period, which under CAFTA is fifteen years.

Dr. Simeon Djankov, Chief Economist, Indicators Group, Financial and Private Sector, World Bank

This morning Bloomberg News ran an article commenting on President Bush's recent trip to Africa. The reporter asked poor people in the countries Bush had visited what they would like from the rest of the world. The number-one answer was "jobs"—even though many of the people interviewed were affected by AIDS.

"Jobs" combines the discussion of high economic growth and democracy. Democracy is basically successful in countries with a large middle class. A large middle class comes from jobs, which means economic growth.

Politicians understand that. In “democratic” countries—defined as those that have elections—the World Bank has examined the themes that appear most often in political platforms. In rich countries, job creation appears twice as often as any other. In emerging countries, the theme is five times as common.

The development community understands this as well. Trade is about creating jobs, which leads to a middle class, which leads to democracy.

But if jobs are important everywhere, why don’t we see high growth and democracy everywhere?

One reason is that there are two models for creating jobs. One is to create opportunities for economic growth and greater trade. Another is for the government to simply to guarantee jobs for everyone. Venezuela is such a country. Hugo Chavez was democratically elected on a platform of jobs, and for a while he did create government employment. Eventually, though, that strategy fails. The only thing that creates long-term jobs is a strategy that promotes small businesses.

Last year, *Latinobarometer* (a think tank based in Chile) conducted surveys on the perceived tradeoffs between democracy and growth. In the vast majority of Central American countries, people were four times more interested in growth than democracy. In a democratic system that doesn’t create jobs, one eventually sees what happened in Venezuela and Bolivia: a candidate promises jobs, wins democratically, and then begins undermining democracy. Democracies need a growth agenda to survive.

Questions and Answers

Mr. Weihe asked panelists to give an example of their programs that combined economic growth and democracy promotion.

John Sullivan, ACVFA Chairman, named Hernando de Soto, who talked to the people in the informal sector of economies and asked why they were doing things the way they did. Dr. Sullivan proposed to suspend all discussions of which factor—economic growth or democratic governance—“caused” the other, saying that all should simply agree that one can’t get to economic growth without improved governance.

Douglas Bereuter, ACVFA Member, noted that in many countries it takes too much time to get a business license. The Asia Foundation has been working with governments to reduce the time involved from something like fifteen months to four weeks.

Carol Adelman, ACVFA Member, argued that the growth of businesses creates a counterweight to government power. Those working in development can speed up that process by funding elements of civil society, but inevitably economic growth work is linked to democratic governance.

Helene Gayle, ACVFA Member, said that CARE links its microfinance and small-business development programs to efforts to foster a greater sense of accountability and collective responsibility. That, in itself, forms the foundation of democratic society.

Aaron Williams, ACVFA Member, said that he hoped that the new Economic Growth Strategy would see USAID committing resources to think tanks and other policy-oriented organizations once again.

Dr. Ott said that the Strategy focuses on the role of entrepreneurs as the heart of all economic growth—meaning all entrepreneurs, from the smallest farmers to major capitalists. USAID aims to create growth opportunities for all of them by removing the barriers they face. To do that, one first has to identify the obstacles and then get governments and officials to change their behaviors. USAID must work with local groups on both steps.

Ms. Ryckman said that USTR has a reputation as a bully, only out to represent large American companies. She said that that is not true. USTR's best negotiations are with countries who know their interests and can articulate their producers' sensitivities. That means the United States has to help its negotiating partners build their abilities to consult with their people and articulate their interests.

Judith Hermanson, ACVFA Member, argued that one of the links between a culture of democracy and economic development can be found in cooperatives. To CHF International that means a private-sector, privately run organization that can enter into a value chain, aggregating resources in ways that allow the little person to participate. She asked whether cooperatives played a role in the new Economic Growth Strategy.

Dr. Ott said that USAID had a long history of working to build cooperatives, and continues to be interested in them. There is nothing specifically about them in the Strategy, but their use is consistent with the document's message. USAID has some limitations on its funding in the agriculture sector, however.

Mr. Weihe asked whether the World Bank wrote about cooperatives in its *Doing Business* reports.

Dr. Djankov said that one area in which he had seen cooperatives play an important role recently was exports in Africa. The African Growth and Opportunity Act (AGOA) gives open access to agricultural producers and others, but in Africa the unit of production is often very small, so each producer has little to export. Trade cooperatives have sprung up in a number of African countries to aggregate these producers' abilities to export. A similar process has happened in South Asia.

Ms. Ryckman offered an example of a successful cooperative organization in Rwanda that sells Christmas baskets to Macy's. In Central America many cooperatives are benefiting from CAFTA.

Mr. Weihe mentioned the great success of Fair Trade specialty coffee cooperatives.

Elise Fiber Smith, ACVFA Member, asked how trade opportunities could better benefit women.

Ms. Ryckman said that many of the examples discussed today are led by or benefit women. She said that trade proponents could do a better job of highlighting that fact.

Ms. Smith responded that she had asked at the AGOA meetings in the fall how many women entrepreneurs were being reached, and learned that there were no data on the question.

Dr. Djankov noted that the latest *Doing Business* report includes data showing that 41 percent of new businesses in Rwanda are started by women, while in neighboring Burundi women account for only 19 percent of those starting businesses. The difference is that the Rwandan government has decided it cannot have a rational economic growth strategy that discriminates against 50 percent of its potentially productive population. In the development community much of the gender discussion focuses on human rights, but arguments married to economic growth are likely to be more persuasive.

Ms. Taft said that beginning last fall, the Office of Democracy and Governance began working in Rwanda to help that country with its MCC threshold program. One key element of that program is a focus on professional journalism. Professional journalism—the dissemination of good information—is very important for economic growth, but it is also seen as a classic democracy and governance initiative.

Alexander Kravetz, a former trade negotiator, said that he agreed it is very important to build countries' capabilities to participate in trade negotiations. He asked what USTR is doing to help Central American nations' legislators participate in debate and engage in their function of offering advice and consent.

Ms. Ryckman said that USTR had had several videoconference sessions explaining to negotiating partners what consultations it must conduct with Congress on a trade agreement. In several situations it even had members of the Ways and Means and Finance committees visit Central America to explain how those committees operated. This wasn't an assistance package, but the United States led by example. In truth, often these negotiators do not talk to their legislatures, which is a problem. In Guatemala, the government changed a month after the negotiations and the entire staff changed over. That's another important need—to help countries build professional civil services so that all knowledge isn't lost when governments change.

Mr. Kravetz asked when Iraq would be included in the World Bank's *Doing Business* report.

Dr. Djankov replied that Iraq is included in the 2008 report.

Mark Hankin of the AFL-CIO Solidarity Center argued that growth cannot occur in situations without employment and labor laws to give employers and workers predictability. That could be seen in Indonesia especially toward the end of the Suharto regime, or in Cambodia before a democratic labor-relations law was passed. After that law was passed, tremendous growth occurred in the garment industry. Today the same problems are occurring in Bangladesh. The Solidarity Center worked closely with USTR and USAID to get the Bangladeshi government to adopt a labor-relations law in its Free Trade Zones, but that law has not been enforced, and as a result the last few months have seen scores of wildcat strikes. That is a primary focus of the Solidarity Center's and should be a primary focus of the U.S. government—and to some extent

it is. But getting these conversations to take place across offices and within USAID has been difficult. In addition, job creation is important, but the jobs created must be good jobs. Finally, he said that we live in a world of globalization. Employers in the Philippines threaten their workers that if they don't work in a certain way, the organization will leave for Vietnam, or leave Malaysia for China. He asked how the panelists dealt with that reality when designing policies for economic growth and democracy promotion.

Juliana Pilon of the Institute of World Politics commended Dr. Sullivan for refusing to surrender to the conceptual differentiation between economic and other kinds of freedom. Her experience with USAID had not always been so positive on that score. When she was with the International Foundation for Election Systems, she said, its civic education program in Romania did not make that distinction and USAID specifically vetoed a democracy conference that also included economic freedom. At long last, though, USAID did understand, and the Foundation created a manual that included education in economic and civil liberties. Not only did that manual help students in high school, but the section on economic liberty was transformed into a booklet that people could use to help create new businesses.