

**ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID**

**Public Meeting  
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## OPENING REMARKS

Dr. John Sullivan, ACVFA Chairman, welcomed attendees and thanked George Washington University for the use of the day's venue. He noted that the House Committee on Foreign Affairs is preparing to rewrite the Foreign Assistance Act. Several of the people present today have attended one of the listening sessions conducted by the staff of the Foreign Affairs Committee in preparation for that effort, one with nongovernmental organizations (NGOs), one with private companies, and one with democracy support organizations. It is rare, and quite welcome for the Foreign Affairs Committee to reach out in this way for public consultation before beginning to write. The public can continue to submit ideas through the committee's Web site, and the staff appears to be taking that public input seriously.

## PRESENTATION: USAID TRANSITION AND POLICY UPDATES

**Dirk Dijkerman**, *Acting Assistant Administrator, Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), USAID*

Mr. Dijkerman thanked Dr. Sullivan for his leadership over the last eighteen months and for his willingness to remain ACVFA Chairman until USAID gets new leadership. The Agency is grateful for his work and the work of all ACVFA members. During this time of transition, ACVFA members have provided important insights about how the Agency can address current challenges. This advice has affected how the Agency approaches interagency deliberations and the policies it pursues. The authority to appoint new members to ACVFA rests with the Administrator, and as soon as USAID gets a new Administrator ACVFA will undoubtedly be one of his or her top priorities. Mr. Dijkerman said that, in his fifteen years with the Agency, every Administrator has appreciated this source of independent advice.

This administration remains strongly committed to development. President Obama has pledged to double the budget for foreign assistance. Many of those in the audience likely know Secretary Clinton from her background as First Lady and Senator from New York, and Acting Administrator Alonzo Fulgham's assessment is that, of all recent Secretaries of State, she comes in knowing the most about USAID and understanding the Agency's work.

While awaiting new leadership, USAID has been taking steps to show new leaders at the Department of State and other agencies how the Agency can contribute to what some are now calling "smart power." Lively discussion is underway about how to respond to current challenges around the world, and it is a good sign that USAID is being asked its opinion.

Meanwhile, USAID's top priority remains the expansion of the Agency through the Development Leadership Initiative. Since the launch of that initiative in 2008, the Agency has hired 156 new foreign-service officers in a wide variety of disciplines, an

increase of 15 percent in the Agency's foreign-service workforce. For only the second time in fifteen years, USAID has been able to hire faster than its attrition rate. The Senate passed an Omnibus Appropriations Act on March 10 that puts USAID on track to hire up to 300 new foreign-service officers in the next twelve months. The fact that USAID did get the resources it needs in the omnibus bill shows that the administration and Congress are committed to bringing the civilian contribution to the defense-diplomacy-development triumvirate back into balance with the military contribution.

Public-private partnerships also remain a priority. In 2008, USAID signed 225 new public-private partnership agreements that attracted \$700 million in private funds.

Many people within and outside of USAID have commented that the Agency needs more procurement officers in order to streamline its procurement process. USAID is now working on hiring and training forty new contract officers. The Agency has also established a requirement that all Cognizant Technical Officers be trained in procurement. USAID is still rolling out its new grant and contract procurement software system, called GLAAS (Global Acquisition and Assistance System). Finally, USAID is working hard to attract new partners, and is developing a template that should make it easier to use local firms in the delivery of foreign assistance overseas.

USAID continues to provide intellectual leadership on the topic of food security. Food prices have eased, but the problem of food security persists. At least 900 million people remain at risk. USAID has been working with other agencies to determine where the Agency should be investing in the agricultural sector, and how it can address constraints in the supply chain from field to market, within and among countries. USAID is already making use of the vast majority of the resources that Congress has provided to address the issue. But the problem will persist for some time. USAID is no longer in the business of exporting food surpluses for the United States. The Agency needs to compete for food aid in the commercial market along with all other buyers, and is trying to make its funds go as far as possible.

Other priorities of the administration include education, climate change, and improving the civilian response capabilities of the U.S. government.

The National Security Council will continue its Development Interagency Policy Coordinating Committee (the Development IPC, formerly the Development PCC), and the USAID Administrator will continue to co-chair those meetings. The IPC has been an important venue for sorting through development priorities and coordinating messages with agencies including Treasury, Commerce, State, the Overseas Private Investment Corporation, the Global Development Alliance, and the Millennium Challenge Corporation (MCC).

On a parallel track, USAID continues to flesh out its strategic partnership with the Department of Defense. USAID finds itself working in insecure environments more frequently than before and has taken steps to realign its capabilities and programs to deal with that reality. The Agency has drafted a policy on civilian-military cooperation,

and is now holding discussions with Congress and NGO partners to refine it. USAID has also created an Office of Military Affairs to facilitate coordination with the Department of Defense, and has assigned senior foreign-service officers to each of the Combatant Commands. For some of the Combatant Commands, USAID has assigned additional foreign-service officers trained in emergency assistance and development aid.

USAID is also working with the Department of State and several other agencies to establish a Civilian Response Corps able to deploy trained officers in a timely manner to support reconstruction and stabilization efforts throughout the world. To meet this goal USAID has created a new Office of Civilian Response within DCHA responsible for recruiting, training, and preparing to deploy an initial group of forty-one active Civilian Response Corps personnel. These people will be trained in USAID's procedures and ready to be deployed on forty-eight-hour notice when necessary. The Agency has also identified nearly 190 officers within its existing ranks to be part of a Civilian Response Corps standby team, and is training them in how to cooperate well with the military in a crisis situation while preserving development priorities.

### **Questions and Answers**

**Helene Gayle**, ACVFA Member, said that given the erosion in USAID's staff over the years, the current hiring is welcome. She asked about the prospects for a more integrated foreign-assistance program in this time of transition.

**Mr. Dijkerman** referred the question to Jacob Lew, who has been working with USAID to catch up on what has happened with the Agency in the eight years since he was Director of the Office of Management and Budget (OMB) under former President Clinton. Mr. Dijkerman said he was encouraged that, despite the absence of clarity so far on the issue of integration, USAID has been involved in collaborative interagency discussions on the topics of greatest interest to the new administration, such as climate change, education, and food security.

**Ted Weihe**, ACVFA Member, noted that under the F process reforms, most of USAID's policy staff was transferred to the State Department. He asked whether those people would be transferred back to USAID. The F process is unlikely to survive in its current form, and USAID can't be a major player without a policy capability.

**Mr. Dijkerman** referred that question to Jacob Lew also, adding that it is important to examine what is meant by the word "policy." Some policies have to do with process—with preparing an integrated budget that aims to present a complete picture of State and USAID activities, for example. While the F process may change form, policies related to preparing an integrated budget will continue. Other policies have to do with technical issues like climate change, education, or food security, and USAID is leading those discussions because it, not the Office of the Director of U.S. Foreign Assistance (the F Bureau), has the proper staff to do so.

## PRESENTATION: UPDATE ON FOREIGN ASSISTANCE

**Jacob Lew**, *Deputy Secretary of State for Management and Resources, U.S. Department of State*

Mr. Lew thanked those in attendance for their interest in the foreign-assistance programs and policy of the United States. One of the great changes that has taken place since he was Director of OMB, he said, is that the community surrounding and discussing foreign assistance has grown much more active.

The President and Secretary of State have been clear that they see development and diplomacy as important legs of a three-legged stool with defense. For too many years development and diplomacy have taken a backseat, but now it is time to reevaluate the allocation of responsibility among the three. The State Department and USAID are diminished in size and capacity from what they once were. The effort in Iraq in particular has put an enormous strain on staffing and left both organizations too thin to take on the challenges that the world faces.

This presented itself in concrete terms with the first budget. Mr. Lew said that within an hour of being sworn into office he was in a meeting reviewing OMB's allocation of resources to the Agency. That first budget needed to be prepared in ten days rather than the more typical month. But the Agency did prepare a plan and the President has now presented it in its top-line form. President Obama has stated that his objective is to double foreign assistance and enlarge the staff administering foreign assistance by 25 percent. The budget as presented does put USAID on that path, even in this difficult economic environment.

The State Department and USAID will spare no effort in making a case to Congress about the importance of these investments. Without enough resources and people, the United States cannot play a full role in the world beyond military engagement. Foreign assistance and development are critical to the United States' strength and safety in the future, and investments in them today will help the United States avoid greater defense costs in the future. In the budget, however, foreign assistance and development appear as billions of dollars that could be spent at home at a time of economic distress unprecedented in our lifetimes. Mr. Lew asked those in attendance to make their voices heard individually and collectively on behalf of the President's budget request.

Internally, USAID has tremendous talent, but needs to fix things that don't work as well as they could. It must redouble its efforts to be effective and efficient, to avoid duplicative programs, and to speak with one voice. All agencies of the U.S. government must coordinate across all of their programs, so that the United States can deliver a single, coherent foreign policy. There have been thousands of pages of reports devoted to making this happen, but ultimately it will happen because of people rather than processes. And there have been good steps in the right direction. It was no small thing that USAID and the State Department were able to report back to OMB with a single, coordinated set of priorities.

The President and the Secretary of State are deeply committed to diplomacy and development. Their leadership and support provides an extraordinary opportunity to take on challenges and make progress quickly.

**ACVFA REPORT ON REFLECTIONS FROM THE ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID**

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

USAID appears to have taken one recommendation from *Reflections* to heart already: to strengthen the Development Policy Coordinating Committee, now renamed the Interagency Policy Committee. ACVFA made that recommendation in part because all on the committee felt that the interagency process is at least greatly strained, if not broken. Putting that process back in working order is a vital first step, all the more important given the gravity of the international financial crisis.

Much of the news of that crisis has been about the financial system, but all those in the development field are also on its front lines. It is of greater importance than ever, therefore, that USAID be able to respond more nimbly than it has in the recent past. ACVFA hopes that as the House Committee on Foreign Affairs begins the first complete rewrite of the Foreign Assistance Act since it was first passed in 1961, it can address the problem of earmarks. As former Administrator Henrietta Holsman Fore said many times, USAID's programs in economic growth, democracy, and many other essential areas of development are so shackled by earmarks that they cannot be effective.

ACVFA also hopes that the new Administrator continues ongoing dialogues on public-private partnerships, the role of civil society, and mechanisms for ensuring aid effectiveness.

As ACVFA reviewed the new Foreign Assistance Framework last year, it discussed at great length the need for programs to achieve purposes in more than one sector at a time. For example, USAID adopted an economic growth strategy last year, and ACVFA advised the Agency to link programs for democracy and good government to that strategy. ACVFA recommends that such crosscutting efforts continue in all areas of development. USAID's strategies must be integrated. As a result of lack of personnel, budget cuts, and earmarks, the Agency has not done nearly a good enough job of this recently.

ACVFA has also emphasized that USAID must improve its ability to interact with development partners. This becomes another recommendation adopted by USAID with the signing of the new appropriations bill, as the Agency will add 300 new foreign-service officers. In part, ACVFA felt it was important for the Agency to have more personnel in order to break down large block contracts and create programs better

tailored to each country. USAID has shrunk considerably over the years, to the point that ACVFA felt much of its work devolved into issuing contracts rather than designing effective foreign-assistance strategies.

## **PANEL DISCUSSION: COMMENTS ON *DIRECTIONS IN FOREIGN ASSISTANCE***

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

Those in the development field don't focus enough on one of the most significant aspects of foreign aid: the recipients. Are they getting the aid? Are they coinvesting and participating in program design? When aid projects end, do they leave behind local institutions? The evidence shows that the answers to all these questions, for the most part, is "no." Problems in staffing, organization, and budget have been well discussed, but there are problems in delivery as well. In *The Bottom Billion*, for example, Paul Collier documented a case where only 1 percent of the aid provided for a project reached the village in need. Fewer than 25 percent of aid-recipient countries have actionable development strategies. Fewer than 10 percent have sound frameworks to monitor results. As Brookings Institution scholars Johannes Linn and Homi Kharas have written, the Paris Declaration of the Organisation for Economic Co-operation and Development (OECD) has been implemented too slowly to make a difference in meeting the Millennium Development Goals.

Fortunately, the new administration can be expected to focus on this lack of success at the grassroots level. President Obama has a track record of being committed to accountability and results, having cosponsored the Federal Funding Accountability and Transparency Act as a Senator.

Linn and Kharas have also pointed out that the Paris Declaration excludes more than half the aid flowing to the developing world: private philanthropy, remittances, and aid from donors like India, China, Brazil, and Russia that are not part of the OECD's Development Assistance Committee.

Last year the Helping to Enhance the Livelihood of People Around the Globe (HELP) Commission completed its exhaustive examination of America's foreign-assistance programs. The projects that all members of the HELP Commission agreed were successes—the Green Revolution, the campaign to eradicate polio, the President's Emergency Plan for AIDS Relief (PEPFAR), the fight against river blindness, the Ford Foundation's work to lay the groundwork for microfinance—have certain shared characteristics: local ownership and involvement, public-private partnerships, peer-to-peer relationships, coinvestment by local partners, efficiency, transparency, and the involvement of private-sector companies and foundations. All discussions of structure and organization must be balanced with this perspective of what is happening in the field.

There are two reasons in particular why it is important to change the way aid is delivered to the developing world. First, the developing world has changed. It has educated a talented workforce. It has new disease patterns. (For example, the World Health Organization reports that noncommunicable diseases—mainly cardiovascular disease, cancers, diabetes, and chronic respiratory diseases—are the world’s biggest killers, with 80 percent of these deaths occurring in developing countries.) And indigenous foundations in developing countries have grown into good partners. Second, foreign aid itself has changed. Over 80 percent of the developed world’s total economic engagement with the developing world is now through the private sector, including private capital flows, investment, philanthropy, and remittances. Roughly 17 percent is in government aid. All those private flows are going to private recipients, and the challenge for government is to find those local recipients. Government is still a vital player, but it should be primarily a facilitator or convener, helping match private resources with social and economic causes.

**George Ingram**, *Vice President and Executive Director, Education Policy and Data Center, Academy for Educational Development*

Two years ago the Center for U.S. Global Engagement launched a two-year effort to persuade the presidential candidates that development and diplomacy must be understood as the front line of U.S. engagement with the world. That effort, known as Impact '08, started with a policy paper issued in June 2007 that recommended that the U.S. government:

- Produce a coherent development strategy,
- Increase program and personnel resources,
- Rationalize the U.S. government’s bureaucratic structure,
- Bring about a grand bargain between Congress and the executive branch to rewrite the Foreign Assistance Act, and
- Bring greater transparency and accountability to foreign-assistance programs.

Last week the Center issued the report *Putting “Smart Power” to Work*, which surveyed the twenty reports on aid reform issued by various organizations over the last eighteen months and identified seven themes found in all of them:

1. A global development strategy that articulates the central role of development and lays out a coherent set of policies and programs. Such a strategy should be written using an open, transparent, and consultative process.
2. Increased resources. This year’s \$53 billion request for international affairs in 2010 includes items that in recent years have been relegated to supplemental appropriations bills totaling \$10 billion. Unfortunately the Senate Budget Committee’s baseline budget does not include these supplemental appropriations, so the 2010 request looks like a 40 percent increase rather than the actual 10 percent increase. It will require effort by all in the development community to make sure that the Senate enacts the President’s budget request.
3. Elevating and streamlining foreign assistance. This is essential to bringing coherence to foreign-assistance programs. It appears, however, that while the new administration is sympathetic to this goal, it does not have it as an

immediate priority. The administration talks about the importance of “coordination,” but real streamlining calls for *consolidation* of programs.

4. A revamped Foreign Assistance Act. So far the administration seems to be signaling a slow approach to this effort, perhaps because it doesn't yet have enough people in place to engage in discussions with Congress.
5. Better integration of civilian and military personnel in dealing with fragile states.
6. Restored balance between the civilian and military roles in foreign assistance. Deputy Secretary Lew has cautioned, however, that this cannot be accomplished until civilian capabilities are built up, which means that progress may be slower than some may have hoped.
7. Strengthened U.S.-international cooperation. President Obama articulated an internationalist approach during his campaign. These twenty reports don't go into specifics in this arena in the way they need to. For example, the Paris Declaration lays out principles for local ownership, harmonization among donors, and alignment with local processes. The United States needs to modify its own development processes so that they represent those principles.

Another priority not covered by all the reports but mentioned by ACVFA is improved transparency. President Obama discussed transparency regularly as a candidate and made his transition into power more transparent than any in history. ACVFA has discussed transparency primarily as a way to share information and bring about an open dialogue. But transparency is also an excellent way to bring about agreement and keep programs focused on their priorities and missions.

All of these recommendations are ultimately about aid effectiveness, about the impact that the United States can make as a world development leader. There are three fundamental problems currently preventing aid from being as effective as it should be:

1. The dispersion of programs,
2. The erosion of development capability, particularly USAID's loss of personnel and loss of ability to conduct independent strategic planning and budgeting, and
3. The increased centralization of decision making at a time when most donors are recognizing the need to decentralize.

One thing that must be changed is the way the State Department and USAID view their relationship. In the 1960s, 1970s, and 1980s, USAID was mostly independent and the two agencies had a relationship of respect. The trend away from that mutual respect started with the SEED Act and the Freedom Support Act, and worsened with proposals offered in the mid-1990s to merge USAID into the State Department. We are still living with the poisonous effects of those tensions today. If USAID and the State Department could return to an attitude of respect for each other's core strengths, the United States would have a more robust development program.

**Steven Radelet**, *Senior Fellow, Center for Global Development*

This is a time of good news and bad news. The bad news is clear. The economic crisis is getting worse. It will cut the budget, worsen the condition of the developing world, and

worsen the attitude of countries toward the United States, because the United States is blamed for starting the crisis. The good news is that there is a much more positive view within the United States of the effort to support developing countries than there has been in some time. That means that this is the best opportunity in years to enhance, modernize, and strengthen development initiatives.

In this environment the U.S. government must use every development dollar as effectively as possible, and must also use all the other tools at its disposal: trade policy, migration policy, and engagement with private enterprise and philanthropy. It must balance realism with the temptation to avoid risk. As other problems pile up, there may be a tendency to stick with the status quo in the development arena.

ACVFA can play a major role in the next few months. USAID faces a leadership vacuum, as major appointments have yet to be announced. It is important for ACVFA to offer its members' opinions to Secretary Clinton and Deputy Secretary Lew, so that the opportunity provided by this moment is not lost.

For its part, the Center for Global Development has focused on four key components of development:

1. Strategy. USAID has too many goals and objectives without any single clear, overall statement of what it aims to achieve and what programs might be suited for various environments. There is a danger that the new administration might see writing a new strategy as an effort requiring too much time and energy when it just wants to forge ahead. A new strategy will take time and energy, but it is vitally important.
2. Legislation. The Foreign Assistance Act is forty years old and needs to be rewritten. Rep. Howard Berman (D-CA) is leading that effort, but Congress has so much other work it could be lost in the shuffle. The administration must make its importance clear. It would be easy simply to try to use the existing authorities in the Foreign Assistance Act a little better. That would result in a development program that is only a little better than it is now. There has been a breakdown in trust between Congress and the executive branch, which has resulted in earmark after earmark, making it impossible for USAID to respond to the needs at hand. Congress will only provide that flexibility in exchange for better accountability from the executive branch.
3. Resources. Under the circumstances, the 9.5 percent increase in the President's budget request looks very good.
4. Organization. USAID needs good people and good processes. To build USAID into a strong, top-rate development agency, a few things must happen. Outside of the Agency itself, the USAID Administrator should have a seat on the National Security Council. It was disappointing not to see that change included in the President's first defense directive. Within the Agency, USAID must reestablish a professional staff, streamline its procurement procedures, strengthen its monitoring and allocation programs, and improve its relationship with the private sector. Finally, the relationship between the Department of State and USAID must be clarified within the next few months. If the objective is to build a top-rate

agency, USAID should have direct authority over its own budget, and its own policy and strategic planning capabilities. The State Department can have responsibility for coordinating across budgets, through the office of the Deputy Secretary. But the F Bureau should be closed.

## **Discussion and Questions**

**Dr. John Sullivan**, ACVFA Chairman, said that although several presenters touched on the international financial crisis, they did not describe what changes that crisis has brought about. ACVFA should be thinking about this much more seriously, as many of the flows of capital Ms. Adelman described are now moving in the wrong direction. Investors are pulling money back through banks. Remittances are slowing as the economies of the United States and other developed nations slow. There are indications that absent some extraordinary luck, Eastern Europe could face a crisis as big as the Asian financial shock. How can a national development strategy mitigate the impact of this crisis?

**Dr. Adelman** said that the Hudson Institute was examining the problem very carefully. The data it will publish on private capital flows toward the end of April are from 2007, but it is listening to private voluntary organizations (PVOs), corporations, and foundations to learn what is going on right now. And in fact things appear not to be as dismal as many think. The Hudson Institute's research shows that during previous eight-month recessions, corporate giving only fell an average of 2 percent. Foundation giving also fell only by single-digit percentages. Foundations can average their giving over three years, so many foundations now are saying they will not reduce their giving at all. Some are even saying that they will give more. Meanwhile, the World Bank is predicting that remittances—which continued to grow by 7 percent in 2008—will fall only by between 1 and 6 percent. So there will be decreases in private philanthropy and remittances, but they should not be huge. Private investment is another matter, and will depend on the speed and success of global economic recovery.

**Mr. Radelet** added that the crisis will hit different countries in different ways. Middle-income countries that are integrated into the financial system will get hit through their banks. Poorer countries will see reductions in foreign direct investment or in demand for their exports. All these things are starting to happen already, and will accelerate through the rest of this year. That, in turn, will force some countries to cut their budgets. The U.S. government must respond to these problems in a coordinated fashion. A big part of the response will come from the International Monetary Fund and the World Bank, and the United States is the major voice at the table there through the Treasury Department. USAID should work to make sure that the efforts of those bodies are the right ones and are coordinated with other U.S. government endeavors. Under its own authority, USAID can help in particular with support for social safety nets. Poor people will lose their jobs, creating a pressing need for emergency food-for-work programs. Unfortunately, much of the money the Agency has available is earmarked for other purposes, making it difficult to put the right programs in place on short notice.

**Mr. Ingram** said that if there was ever a case for a coherent effort that cuts across U.S. policy instruments, it is this situation. The current crisis further calls for greater integration and coordination between bilateral and multilateral assistance efforts.

**Douglas Bereuter**, ACVFA Member, noted that Mr. Ingram had cited USAID's move toward centralized decision making as an important mistake the Agency must correct. When USAID had stronger missions abroad it had greater flexibility. He asked whether the Obama administration has given any indication that it recognizes the need to change direction in this regard.

**Mr. Ingram** replied that beginning about a year and a half ago some people in the previous administration—including some within the F Bureau—recognized that centralization had gone too far, and began to try to reverse it a little. He said he had seen no indication yet one way or the other from the Obama administration, probably because its appointees are not yet in place. He added that there had been too loud a reaction against the F Bureau for the administration to ignore the issue, and that he expected a return to more local ownership.

**Spencer King**, ACVFA Member, remarked that several speakers so far had mentioned USAID's increase in staff. ACVFA's Economic Development Subcommittee recommended to USAID that it increase its reliance on small and medium-sized enterprises and move away from bundling its work into large contracts. ACVFA was heartened when former Administrator Henrietta Holsman Fore hired 156 new people, and Mr. Dijkerman mentioned that USAID would soon hire 200 to 300 more. Mr. King asked how many employees the Agency needed in order to work with small PVOs and NGOs to address the niche needs of various countries rather than issuing big umbrella contracts. He added that many missions currently lack people with management skills.

**Dr. Helene Gayle**, ACVFA Member, said that USAID's NGO partners would have to do a better job of identifying those niches. Having a single comprehensive strategy will help USAID and all of its partners think through their contributions in the development arena and identify the areas where they can effect the greatest sustainable change. A comprehensive strategy will make it easier for all of the actors to figure out the roles they should play, and will also allow countries to take their rightful role of coordinating the actors working within their borders.

**Mr. Radelet** said that the Henry L. Stimson Center estimated USAID would have to hire 1,000 new foreign-services officers simply to accomplish its current functions properly, not even to take on a more ambitious brief (in *A Foreign Affairs Budget For the Future: Fixing the Crisis in Diplomatic Readiness*). It doesn't make sense for USAID to hire staff to handle every specialized role. But it has gone too far by contracting out its management functions. In fact, it has probably gone too far even in contracting out specialized professional work. If USAID is to become a strong professional agency, it needs people with years of experience actually doing development work, not just managing the contracts of those doing the work.

**Dr. Gayle** said that it was a problem simply that USAID had moved so far toward contracting relationships. Development is not necessarily best done through a transactional relationship but rather through a long-term relationship that involves building up local capabilities. USAID should be making use of grants, cooperative agreements, *and* contracts.

**Ted Weihe**, ACVFA Member, asked how the panel would characterize the current USAID monitoring and evaluation system, and how it should be improved.

**Mr. Radelet** replied that USAID's monitoring and evaluation system is totally inadequate, though similar shortcomings can be found across government and the private sector. It can be improved by:

- Devoting the necessary resources and personnel to the effort ,
- Ensuring the independence of monitors,
- Incorporating monitoring and evaluation from the beginning of project development, and
- Being willing to take the risk that some projects won't work,

With respect to the last of these, the biggest risk is that Congress and the public will seize on failures and thereby jeopardize the successes. With effort, that can be overcome.

**Mr. Ingram** added that monitoring is a distinct function from evaluation, although they are related. USAID needs ongoing, regular monitoring that focuses on more than just raw numbers, and should recognize that evaluation is important to the Agency's learning process. It must conduct overall, strategic evaluations, too, not just evaluations of individual projects, and must create incentives that reward learning. Evaluation must be built into USAID's planning apparatus. All this can only happen if the Agency has ownership and interest in the evaluation process, which means that the best system would probably be a quasi-independent evaluating body with participation from both career USAID staff members and independent, outside evaluators.

**Corey Griffin**, ACVFA Member, noted that Mr. Radelet had stopped short of recommending that USAID be made a cabinet-level agency, although he'd made a strong case for it needing its own budget authority and autonomy. He asked what the argument is for leaving USAID within the State Department.

**Mr. Radelet** replied one could argue that the United States needs to integrate its foreign policy tools under the authority of the Secretary of State. The counterargument would be that the United States conducts many elements of foreign policy outside of the State Department: trade policy, for example, and international financial policy. These are kept separate from the State Department because they are distinct from diplomacy and require their own professional staffs. He said that he believed development is also distinct enough from diplomacy to require some independence from the State Department. He added that he would like to see USAID as a cabinet agency, but it is not likely to happen anytime soon. The model for progress toward that end should not

be the Department of Homeland Security, which was created overnight, but the Environmental Protection Agency (EPA). In the 1970s, the EPA was created to unite disparate federal programs doing similar work. But it took twenty years for the EPA to become a cabinet agency. Another model would be to consolidate foreign-assistance programs into an agency with the legal structure of something like the MCC: a government agency organized independently, with a board of directors that the Secretary of State could chair. Or USAID—or a successor agency—could simply be restored to the standing it had twenty years ago, when it reported directly to the President, had its own direct budget authority and strategic planning function, but worked very closely with the State Department. In any case the goal should not be for USAID to become a cabinet agency sometime in the future, but for USAID to become a strong, capable, efficient, and effective development agency now.

**Dr. Adelman** disagreed, recalling her experience as head of USAID's Eastern European reconstruction effort after the fall of the Berlin Wall. USAID was still independent then, it still designed projects and signed its own budgets, but it worked in tandem with the State Department, and the State Department had considerable say in USAID projects. Many people at USAID were not happy about that, but at the same time it gave USAID a seat at the State Department table, which in turn gave its staff entrée and input to the Department of the Treasury, the Office of the U.S. Trade Representative, and the Council of Economic Advisors for the first time in a long while. USAID staff worried mainly that the State Department would meddle in project implementation, but once State Department staff members saw they would have to deal with USAID's contracting procedures they had no interest in implementation and day-to-day project management. USAID had unique expertise in those areas.

**Mr. Ingram** said that what he saw, after Dr. Adelman's time at USAID, was that the two key coordinators in the State Department in fact expanded their staffs to replicate that expertise. One manager kept his office focused at the strategic level, but across the agency another manager got his staff much more into the details of project development. When one expands staff like that the extra people will eventually find something to do, often something counterproductive.

**Ms. Gayle** asked whether Dr. Adelman would like to see USAID have its own budget authority, or see budget authority remain with the State Department.

**Dr. Adelman** said that she was ambivalent. As long as USAID had a say and approval power in budgeting, the authority could be with State or USAID, but, in general, USAID is better prepared to do the budget work.

**Dr. Sullivan** said that he sees a potential for mission creep if it isn't clear that USAID has its own budget accountability and contracting processes. USAID does a much better job at these matters than the State Department has done recently. The State Department doesn't have the ability to handle budgeting and contracts on USAID's scale. It has also introduced many new rules and regulations that impede the flow of development assistance.

**Mr. Ingram** said that there is a close relationship between the development accounts and some of the foreign policy accounts, such as the Economic Support Fund (ESF). So the State Department does need to see an early draft of the USAID budget, so that it can adjust ESF and other accounts appropriately, and it needs the right to give its opinion on the USAID budget to OMB. But USAID should have the authority to submit its budget directly to OMB.

**William Reese**, ACVFA Member, commented that ACVFA spent six months of last year writing a report for the new administration on how to sell foreign aid abroad and at home to Congress. That report could have been written any time in the last twenty years, because the development community has done a dreadful job of both. That support is necessary to any reform. He added that he thought the world's economic outlook was much bleaker than many people are forecasting. The *New York Times* has reported that the world will lose 50 million jobs in OECD countries alone. It has also reported that China alone has already lost 20 million. That probably means that, by Mr. Reese's estimate, the world as a whole has lost or will soon lose 120 million jobs. This is happening at a time when the world needs 1 billion new jobs to keep pace with the young people now entering adulthood. That is a staggering gap. But it provides an opportunity to talk to the American people about aid not as a humanitarian gesture but in terms of American economic and physical security. He said he was stunned that Mr. Dijkerman described the new administration's development priorities as only education, global warming, and food security, without mentioning economic growth, democracy and governance, or health. Perhaps those priorities are covered by other agencies. But USAID could be taking advantage of this global economic crisis to build support for long-term investments that win the United States friends overseas. But only if countries do not see us retreating, taking care of only our own citizens, and building protectionist barriers around our own jobs. He said he'd also been surprised that Mr. Lew, who knows the budget process as well as anyone, said that USAID should focus on results rather than reorganization, because big improvements in results will only be possible with reorganization, specifically a revision of the Foreign Assistance Act. That too will require significant public support.

**Ms. Gayle** remarked that several speakers have argued that USAID will only accomplish its goals if it has the right people in place, and that is true. America is lucky to have a great Secretary of State now. But USAID should also work to put in place structures, processes, and legislation that will survive even under a poor Secretary of State.

**Francisco Zamora** of the American Foreign Service Association said he'd heard many smart recommendations from today's panelists for how to fix the status quo, and that he hoped they would be implemented, not ignored. The American Foreign Service Association's surveys of its members show that they would agree with many of these recommendations. Foreign-service officers are not satisfied with the status quo. They do not agree with the existence of the F Bureau, and believe it simply adds extra work that does not accomplish anything and has hurt the United States' overseas programs.

**Eileen Cosby** of the Filipino Family Fund said that on the previous Friday, President Obama created the position of an ambassador for reproductive health. She asked whether renewable energy, education, and housing shouldn't be higher priorities at this time of worldwide economic downturn. She argued that developing countries have a perception that the United States engages in "cultural imperialism," and that this was particularly a problem in countries like Peru, Guatemala, and the Philippines, where USAID contractors were found to have sterilized women without their consent. She said that naming a reproductive health ambassador risked antagonizing countries that have constitutional rights for the unborn.

**Ms. Gayle** said she thought Ms. Cosby might be referring to the new position of Ambassador-at-Large for Global Women's Issues, for which Melanne Vermeer has been nominated. The administration did not create a position for family planning.

**Dr. Sullivan** said that this fell out of the scope of the day's discussion, and that ACVFA would take it under advisement.

**Mark Harrison** of the United Methodist Church asked Mr. Radelet if he could give an example of a country with a first-class development agency.

**Mr. Radelet** said that the United Kingdom has consolidated its programs over the past ten years and is now seen as having a much more effective aid agency. The Danish and Norwegian aid agencies are also considered exemplary. USAID is certainly not the worst, but there are models it can learn from.

**Mr. Harrison** asked whether panelists would be pushing for an independent office or agency of global economic development were it not for the current economic crisis.

**Mr. Radelet** said that he believed it had to be a long-term effort. Those who support a cabinet-level development agency shouldn't give up on the idea, but there is a risk that if they pushed for it right away, others might see only a choice between a cabinet-level agency and what we have now. It is better to focus on progress toward a strong U.S. development agency that can deliver effective and efficient programs.

**Mr. Ingram** said that the reluctance to fight for an independent development agency immediately was a tactical decision based on the current priorities of Congress and the new administration. It is not related to the global financial crisis.

**Ryan Weddell** of Devex noted that some have criticized the requirement that all contractors use the USAID logo in their projects, because in some situations it is counterproductive to advertise U.S. involvement in a project. In theory it is possible to get an exemption from this requirement, but that is often difficult to do in practice. He asked whether the policy could be made more flexible.

**Dr. Sullivan** said that there had been considerable discussion at ACVFA about the branding requirement. The committee has not come to a consensus on the question, but could take it up again. He said that the Center for International Private Enterprise has not had a problem getting exemptions when necessary. The most sensitive area for branding seems to be the democracy support programs. Ultimately this is a matter of internal regulation, not law, so perhaps the new administration should think about making new policy decisions on the subject.

**Mr. Radelet** added that the problem is not the USAID logo alone, but the plethora of logos from U.S. government agencies including the MCC, PEPFAR, the Department of Health and Human Services, the Centers for Disease Control and Prevention, and the National Institutes of Health. It can make the United States look foolish when it puts multiple logos on a project. He also agreed that while the United States should get credit for its work in many cases, in some cases it can be counterproductive.

**Carla Stone** of Delaware Technical and Community College commented that ACVFA is made up some of the largest and best organizations in the foreign-assistance sector, but that perhaps smaller organizations should also be represented on the committee. They are the ones doing work in the field, often on a shoestring, including monitoring and evaluation.

**Dr. Adelman** agreed that that would be a good idea. She asked ACVFA Member Deborah Bensen how Operation Blessing would characterize its own size.

**Ms. Bensen** said that Operation Blessing considered itself a medium-sized organization. She too agreed that ACVFA should include some smaller groups, and said that in fact the new administration would be adding new members to the committee.

**Dr. Sullivan** said that while technically ACVFA members are selected by the USAID Administrator, the committee could make a recommendation that the Administrator consider diversity in size when selecting those new members. He said that ACVFA would take up the question at its business meeting.

**John Pielmeyer**, an evaluation contractor and retired USAID officer, argued that the reforms described by the panelists must take place quickly if USAID is to retain its newly hired employees. Many people now joining USAID are shocked by what they see in the Agency. They may not have good supervisors in Washington or in the missions to teach them what to do. They find an "in-the-office attitude" when many of them are used to working in the field. They find resources that are partitioned in a way that makes it difficult to provide flexible, high-quality programs. They find excessive paperwork, not just due to congressional reporting requirements but also USAID's past fixation on indicators and monitoring. They find major problems with procurement.

**Mark Hankin** of the Solidarity Center said he was worried about the lack of policy guidance coming from Washington on how missions and the organizations working with

them should deal with this environment of economic crisis. He asked where the committee stood on this vacuum of policy leadership.

**Dr. Adelman** said that she didn't know when USAID's new leaders would be in place, but that it was probably not unusual for them not to be named by mid-March in a new administration's first year.

**Mr. Radelet** said that the next opportunity to gauge the broad outlines of U.S. government development policy will be at the G-20 meeting coming up in London, although it will be a tough challenge to write that policy if leaders below the Secretary level still aren't in place.

**Robert Nicolas** of the African Methodist Episcopal Church Service and Development Agency said that he didn't see enough urgency from the U.S. government in dealing with the problems that the global economic crisis is sure to bring. USAID shouldn't wait for food riots before it helps put social safety nets in place. He asked what recommendations panelists would make to USAID missions and other donors to prevent the worst from happening.

**Mr. Radelet** said that to respond properly USAID needs additional resources and the ability to use them flexibly, and at the moment it has neither.

**Mr. Ingram** added that this is why it is important to restore authority to missions and embassies, because not every country should be treated the same.

**Dr. Adelman** pointed out that USAID mission directors and staff members in Washington do have the authority to redirect funds. She said she assumed that capable ambassadors and mission staffs have put contingency plans in place and are following some guidance from the State Department, although she did not know that for a fact. ACVFA can make that recommendation to the Agency in any case.

**Ms. Gayle** asked those in the audience to use their voices to argue for a strong USAID response to the economic crisis. Policy makers act when constituents make it clear what is important to them. Those in the development community need to push policy makers to keep the problems of the poor on the front burner.

**Elaine Scudder** of the International Center for Nonprofit Law noted that Secretary Clinton recently said that we no longer have four "Ds" for foreign aid, we only have three—she omitted democracy. She asked whether it was likely that democracy and governance programs would continue to be a priority for the new administration.

**Mr. Ingram** said that although there may be only three Ds, the "development D" is meant to include democracy, just as it includes health and education.

**Dr. Sullivan** added that ACVFA has gone on record arguing that democracy and good governance are strongly linked to economic growth and development. In a recent

speech in Eastern Europe, Vice President Biden gave a commitment on behalf of the Obama administration to continue supporting democracy-promotion programs.

**Allen Drury**, director of the U.S. Relations Office for the World Food Programme, noted that the U.K., Denmark, and Norway, all of which were cited as having model development agencies, also all have strong relations with the United Nations and a clear vision of the role of multilateral institutions. He asked what panelists saw as the role of multilateralism in a new development strategy.

**Mr. Ingram** replied that one of the seven themes identified in *Putting “Smart Power” to Work* is that the United States should be a better international partner. President Obama spoke in internationalist terms during the campaign and has appointed people with an internationalist perspective. The United States is likely to work better with multilateral institutions than it has in the last ten years. And the United States should better integrate its bilateral and multilateral approaches to the world.

**Dr. Adelman** read a quote from one of President Obama’s campaign speeches: He said he wants American leadership that “leverages engagement from our traditional allies in the G-8, as well as emerging economies—India, China, Brazil, and South Africa—the private sector, and global philanthropy. Yet while America and our friends and allies can help developing countries build more secure and prosperous societies, we must never forget that only the citizens of these nations can sustain them.”

**Dr. Sullivan** said that ACVFA will use the summary and transcript of this discussion to influence USAID’s course during this interim period. He reiterated Mr. Reese’s point that this international economic crisis will hit young people needing jobs the hardest. Many people will flee back into the informal sector. Much of this the development community knows how to fix, but he said that he feared that if the international financial crisis was left to the multilateral institutions alone, the result will be an approach of macroeconomic, structural adjustment. That won’t address the needs Mr. Reese and others on the panel have described for economic growth and democratic opening at the grassroots level. He thanked the panelists and the audience for their participation.