

# ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

## PUBLIC MEETING

- February 25, 2004 -

### SUMMARY REPORT

#### *"The Changing Face of Foreign Assistance: New Opportunities and Challenges"*

William S. Reese, ACVFA Chair, welcomed the ACVFA members, the U.S. Agency for International Development (USAID) staff, and the meeting participants. Mr. Reese noted the timeliness of the public meeting agenda. He said there are currently new resources, new needs, new threats, and new Presidential Initiatives.

#### KEYNOTE ADDRESS

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**Andrew Natsios**, *Administrator  
USAID*

Mr. Natsios remarked that the new directions in foreign aid are dramatic and the commitment is large. The budget at USAID rose from \$7.9 billion in fiscal year 2001 to \$14.2 billion in fiscal year 2003. The Africa Bureau budget increased from \$790 million in 2001 to \$1.04 billion in 2003.

The White Paper, "U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century," is an effort to refocus the Agency on the urgent problems of today and to use its unique strengths

to the best advantage. The White Paper delineates five core goals of U.S. foreign assistance. The goals cover aid directed toward a continuum of countries with a diversity of needs and of different strategic importance to the U.S.

##### Core Operational Goals of Foreign Assistance:

1. *Promoting Transformational Development*  
Transformational development implies a transformation of the social, political, and economic order. This category includes the MCA threshold countries, as well as those that do not yet qualify for the MCA. Many countries are already attempting to make changes in their legal structures and democratic institutions in an effort to become eligible for MCA funding.
2. *Strengthening Fragile States*  
Fragile and failed states would be eligible for a range of assistance that would provide the foundation for effective development.
3. *Humanitarian Assistance*  
Consistent with U.S. tradition, aid to countries will continue to be allocated on the basis of need, not performance.

4. *Strategic States*  
The level of assistance for some countries will be based on foreign policy priorities. The survival of a state like Pakistan and its continued alignment with U.S. foreign policy priorities takes precedence over development considerations in the disbursement of aid.
5. *Global and Transnational Issues*  
Some issues, such as HIV/AIDS, drug cartels, and human trafficking cross national borders and require a broader approach.

The White Paper follows on the “Foreign Aid in the National Interest” report and the Joint Department of State-USAID Strategic Plan. Mr. Natsios suggested that foreign aid is no longer a stand-alone operation. For USAID to be effective, it must partner with its sister agencies within the government as well as with non-governmental and private organizations to help define and implement the tasks of the new century.

In fiscal year 2003, USAID spent \$14.2 billion, only 20% of which was development assistance. Mr. Natsios remarked that USAID must adjust to

## **DISCUSSION**

reality, or it will be left in the dust. The White Paper acknowledges the principle that USAID has multiple missions and objectives that should be integrated into the fabric of the Agency. In response to a question about transformational development, Mr. Natsios said that there is a need to change the discussion by changing the terms. Projects must contribute to larger, democratic issues so that the formation of society is facilitated.

Mr. Natsios stated that the MCA is a revolutionary way of approaching development. The MCA is already having a profound effect on the system. USAID is now represented at the highest level of foreign policy meetings.

### **WHITE PAPER**

#### ***“U.S. FOREIGN AID: MEETING THE CHALLENGES OF THE TWENTY-FIRST CENTURY”***

**Barbara Turner**, *Acting Assistant Administrator, Bureau for Policy and Program Coordination, USAID*

Ms. Turner remarked that the White Paper was written in response to the new environment and new challenges of today. She said that it is important to ensure that USAID programs are aligned with the five goals of U.S. foreign assistance and that the budget is justified and programs evaluated against those purposes. The White Paper is an attempt to be realistic about the purpose of assistance and the expected outcomes. Accountability must be measured against the goals of assistance.

*Transformational development implies a transformation of the social, political and economic order.*

Ms. Turner noted that development is key in every one of the goals. USAID will continue to work in fragile or failing states. Last year, nearly \$3 billion of USAID’s budget went to fragile states. However, the tools and approaches needed in fragile states are different than those needed in other countries. While most, but not all, humanitarian assistance goes to fragile states, it is important to recognize humanitarian goals in their own right. Ms. Turner remarked that many development programs take place in countries that receive assistance due to their strategic importance. She emphasized the importance of

building development concerns into foreign policy decision-making.

Ms. Turner outlined some of the implications of this strategy for USAID programs. First, USAID needs to better target its programs. There is a need to identify those countries in which USAID can make a difference.

Policy coherence is key. Many agencies and entities are involved in development work. USAID needs to do broad analytic analysis to better understand the policy arena. Improving coordination across the U.S. government is important. The Joint DOS-USAID Strategic Plan has been completed. There is a new Joint Policy Council as well as a Joint Management Council. And USAID must continue to work closely with the Millennium Challenge Corporation (MCC).

There is also a need to address the graduation issue. There may be some very specific types of assistance that should be continued after graduation. Ms. Turner stated that there is a need for discretionary funding to provide more selective and strategic assistance. Possibly a new funding account structure aligned with operational goals would be in order. The White Paper suggests that legislative reform may be necessary.

## DISCUSSION

In response to a question about framing development in terms of national security, Ms. Turner replied that the new framework reflects the reality of foreign assistance today.

An ACVFA member commented that the White Paper does not address the issue of transforming people or the importance of partnerships. Ms.

Turner replied that one of the purposes of the White Paper is to move from the notion of global charity to the idea of global interdependence. Transforming people is embedded in all development work. USAID cannot work effectively without partnerships with the private and non-governmental sector.

In response to an inquiry about the structural implications of the White Paper, Ms. Turner said that the hope is to impact legislation and the budget process. There is a need to reorient analytical capabilities, skills, budgets, and reporting.

A participant asked how the MCA would affect USAID programs in recipient countries. Ms. Turner responded that each country will make an assessment about how the MCA will impact the USAID program on the ground.

In response to a question about plans for the MCA “near miss” countries, Ms. Turner said that one of the purposes of the White Paper is to highlight the need to work with those countries that are moving in the right direction. The principles of the MCA are relevant to development assistance in general.

A participant asked how the White Paper will be linked to USAID operational and administrative procedures. Ms. Turner agreed that USAID’s traditional ways of working are not always effective, particularly in fragile states. The White Paper is designed to help USAID define particular objectives and determine which operational procedures make sense for each objective.

*The Millennium Challenge Account is a revolutionary way of approaching development.*

The White Paper is available on-line at [www.usaid.gov/policy](http://www.usaid.gov/policy). Comments may be addressed to [whitepaper@usaid.gov](mailto:whitepaper@usaid.gov).

## FRAGILE STATES STRATEGY

**Leonard M. Rogers**, *Deputy Assistant Administrator, Bureau for Democracy, Conflict and Humanitarian Assistance, USAID*

Mr. Rogers commented that the White Paper broadly defines two groups of countries - those that are relatively stable and those that are at risk of failure. Each group has unique challenges and calls for different strategic approaches. USAID recognizes that extensive consultation with the PVO community is extremely important.

Mr. Rogers remarked that USAID hopes to develop a strategy that will improve understanding of what makes a state vulnerable to failure and how the U.S. government can support stability and recovery. USAID recognizes that it must improve its ability to act quickly in politically charged and dangerous situations. He predicted significant operational changes at USAID.

USAID is calling this group of countries “failing, failed, and recovering” and hopes to be able to move countries into the recovering category as quickly as possible.

Mr. Rogers suggested several factors pushing USAID to focus more on failed states.

- State failure is a major development problem resulting in lost investment, lost economic participation, and lives lost to poverty.

- It is a major humanitarian problem. There are more refugees and more internally displaced people than ever before.
- It is a security concern, as it provides fertile ground for terrorism, drugs, and the like.

He remarked that there are other factors that give USAID pause for thought. There is a great deal of uncertainty about what USAID should be doing in fragile states. It is easy to recognize fragility, but much more difficult to promote recovery. Detailed country knowledge is essential. There is an opportunity to bring in the expertise of PVOs in developing that knowledge. Finally, fragile countries are often afflicted by conflict. Once violent conflict begins, it is very difficult to promote stability and progress.

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USAID recognizes that it needs new mechanisms, new procedures, and new means of intervening in these countries. USAID needs to find better ways of working with the non-governmental actors to contribute to the recovery of failed and failing states. He stressed the role of civil

society in helping to make governments stronger and more effective.

Mr. Rogers presented a framework for assessing fragility. Effectiveness and legitimacy of the government are the two main indicators of whether a state is stable or not. The framework looks at effectiveness and legitimacy across four dimensions: economic, social, political, and security. This analytical tool will be used to examine individual countries and determine their vulnerability to state failure.

**Melissa Brown, Bureau for Policy and Program Coordination, USAID**

**DISCUSSION**

Ms. Brown highlighted areas that have been presented and discussed to date:

1. Fragile states require different goals. USAID is looking at three interrelated goals: stabilizing the situation, reforming where possible, and advancing recovery.
2. Achieving these goals will be dependent on commitment from the fragile states.
3. Progress on these goals will require collaboration within the U.S. government and with other donor organizations.
4. Integrated analysis is important to understand fragile states.
5. Integrated analysis will need to be connected with integrated decision-making.
6. Integrated analysis will provide a basis for cross-country analysis and selectivity.
7. USAID should measure effectiveness from the perspective of stability, key reforms, and recovery.
8. USAID is looking at ways of gaining greater flexibility in the application of funding in order to maximize responsiveness.
9. It is important to examine procedures, including a range of procurement, administrative, and personnel procedures.

*It is important for civil society to be supportive of effective and legitimate governments.*

In response to a question about the selection of fragile countries in which to work, Mr. Rogers replied that what may drive the numbers is where there exists an opportunity to make a difference. He suggested that 15-25 countries might fall into this category.

An ACVFA member commented that civil society organizations that advocate for the people they serve are essential to bringing about effective development. Mr. Rogers agreed, but pointed out that it is also important for civil society to be supportive of effective and legitimate governments. Ms. Turner replied that some form of government is needed in order for development to happen. Humanitarian aid can often be carried out without a strong government, but in the long-term, governance issues are key.

In response to an inquiry about infrastructure development, Mr. Rogers replied that USAID has been involved in some large infrastructure projects and is now rethinking the role of infrastructure in development.

**UPDATE: U.S. HIV/AIDS STRATEGY**

**E. Anne Peterson, M.D., Assistant Administrator, Bureau for Global Health, USAID**

Dr. Peterson remarked the President's HIV/AIDS Initiative aims to provide treatment for two million people, prevent seven million new infections, and provide care for ten million people living with AIDS. She said that the strat-

egy builds on lessons learned and focuses on how USAID can collaborate with other agencies to have the most impact.

USAID is working in HIV/AIDS in more than one hundred countries. It is also focused on technical assistance to the field, research, and global leadership. USAID conducted some of the initial studies on the abstinence, be faithful, and condom use strategy, providing a strong database for the ABC paradigm.

Vaccine research years ago led to the development of a single dose injection mechanism being used today in HIV/AIDS programs.

USAID is attempting to wrap interventions that can assist in the HIV/AIDS arena around HIV/AIDS programming. For example, USAID is linking food aid with communities that have high HIV/AIDS rates. Because HIV/AIDS causes harm in every area, the multi-sectoral approach is particularly important.

Dr. Peterson remarked that her office is engaged in child survival revitalization. The HIV/AIDS epidemic puts many children at risk for preventable diseases. There is an effort to pull together the work of donors to meet the Millennium Development Goals for child survival.

**Ambassador Randall Tobias, U.S. Global AIDS Coordinator, U.S. Department of State**

Amb. Tobias opened his remarks with a salute to all of the organizations that have been working in HIV/AIDS and have made critical contributions to turning the tide against this terrible disease. Amb. Tobias said the President's

Emergency Plan represents the largest commitment ever by a single nation for any international health initiative.

Amb. Tobias presented some of the statistics of the HIV/AIDS pandemic. During 2003, three million people died from the complications of AIDS, leaving behind anguished loved ones, orphaned children, and ravaged communities. At the same time, five million people became newly infected, bringing the estimated total to forty million infected worldwide. This disease has deepened poverty, reduced life expectancy, diverted resources, and left a generation to grow up without the love and guidance of parents and teachers.

*The President committed \$15 billion over five years to address the global HIV/AIDS pandemic*

Amb. Tobias said that the global community is coming together to focus on HIV/AIDS as never before. In his State of the Union address last year, President Bush called for an unprecedented act of compassion to halt the ravages of AIDS.

The President committed \$15 billion over five years to address the global HIV/AIDS pandemic. Nine billion dollars will go to new programs to address HIV/AIDS in 14 of the world's most affected nations, with a 15th country to be added soon. Five billion dollars will go to provide continuing support in approximately 100 other nations. One billion dollars will support the Global Fund for HIV/AIDS, Tuberculosis, and Malaria.

Amb. Tobias said that the first funds, recently released, will be used to scale-up programs providing anti-retroviral treatment, prevention programs targeted to young people, safe medical practices programs, and programs to provide care for orphans and vulnerable children. It is also expected that several national safe blood programs will be funded.

These targets were chosen because they are at the heart of addressing the treatment, prevention, and care goals that are the focus of the President's Emergency Plan. The specific recipients of funding were chosen because they have existing operations on the ground, a track record, and the capacity to scale-up rapidly. In the next round of funding, there will be an emphasis on attracting new partners who can bring expanded capacity, new thinking, and innovation to the effort.

Amb. Tobias referred to a comprehensive, five-year strategic plan for the President's Initiative, available online at [www.state.gov/s/gac](http://www.state.gov/s/gac). The focus of the plan is to provide two million people with treatment, prevent seven million deaths, and provide care for ten million who are affected by the disease.

Amb. Tobias anticipates that when fully staffed, the Office of the U.S. Global AIDS Coordinator will employ approximately fifty people. He said that this is a new leadership model, bringing together the resources that already exist within the U.S. government, but without physically moving most of them.

Amb. Tobias commented that multi-lateral efforts are also an important part of the strategy. The U.S. helped to create the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria. The U.S. leads the world in donations to the Global Fund, accounting for 37.4% of total pledges and 31.1% of the contributions delivered to date.

Amb. Tobias remarked that while there used to be a treatment versus prevention debate, today few dispute that it is not an "either-or" issue. Achieving results requires addressing both. One

of the cornerstones of the President's plan is the ABC prevention model. Research indicates that the ABC approach, when correctly understood and implemented, can be a powerful tool against the spread of HIV/AIDS.

Amb. Tobias said that U.S. Ambassadors in each focus country have been asked to provide leadership in the development of an integrated implementation plan at the country level. He emphasized that fighting HIV/AIDS will require the coordination of diverse resources and actors.

**UPDATE:  
DEPARTMENT OF STATE-USAID  
JOINT POLICY COUNCIL**

*Letitia Butler, Director, Office of Policy Planning, Bureau for Policy and Program Coordination, USAID*

Ms. Butler stated that the Joint DOS-USAID Strategic Plan for 2004-2009 outlines a common mission to create a more secure, democratic, and prosperous world for the benefit of the American people and the international community. It

identifies four very broad strategic objectives, twelve strategic goals, and thirteen current priorities to be targeted jointly by DOS and USAID. The plan also calls for the creation of two deliberative bodies, the Joint Management Council and the Joint Policy Council. The Joint Management Council is examining administrative and management issues that the two institutions share. The Joint Policy Council held its first Executive Committee meeting in January.

Ms. Butler suggested three reasons that the Joint Policy Council is important:

*The Joint Policy Council was established to create new habits of cooperation between the two agencies.*

1. The impetus from this Council has come from very high levels within DOS and USAID;
2. It engages a broad cross-section from both organizations; and
3. Discussions should lead to complementary roles for DOS and USAID.

Ms. Butler said that as development, humanitarian efforts, and fragile states all become more central to the execution of foreign policy, so also will the role of NGOs as partners. She commented that USAID and DOS would like to find ways to tap into the pool of knowledge and experience represented by the NGO community.

**Don Steinberg**, *Director, Joint Policy Council, U.S. Department of State*

Mr. Steinberg remarked that the Joint Policy Council was established in November 2003 by Deputy Secretary of State Richard Armitage and USAID Administrator Andrew Natsios. The Council is charged with reviewing existing DOS-USAID coordinating mechanisms, creating new procedures where there are gaps, and addressing crosscutting issues that are currently falling between the cracks. It is helping to create new habits of cooperation between the two agencies and giving them insights into each other's priorities.

The work of the Council takes place in twelve policy working groups that cover the principal geographic regions and six functional areas. The functional areas include the promotion of democracy and human rights, economic development, humanitarian response, social and environmental issues, security and regional stability, and public diplomacy. These groups recently prepared work plans highlighting joint policy goals and resources, existing coordination

mechanisms, and priority policy coordination issues. Combined, the groups identified seventy different issues to be addressed over the next year.

The security and regional stability group will be looking at five areas:

1. Interagency coordination mechanisms for international law assistance;
2. Aligning anti-corruption efforts with development assistance;
3. Ensuring consistency between development programs and counter-drug goals;
4. The role of development in the fight against terrorism; and
5. Promoting coordination with the Department of Defense.

There are four crosscutting groups that address issues related to Muslim outreach, law enforcement assistance, effectiveness of aid and strategic use of resources, and budget and planning synchronization.

## **DISCUSSION**

An ACVFA member asked about plans for involvement of the PVO community in discussions of policy issues. Ms. Butler replied that the policy issues will be addressed at the working group level, but there is a need to look at mechanisms for reaching out more broadly.

An ACVFA member asked Mr. Steinberg to comment on the perception that the move towards shorter-term time frames in development assistance is related to the closer integration of DOS and USAID. Mr. Steinberg responded that DOS and USAID have different



time horizons, but there is a need to coordinate these two points of view into an effective strategy.

## **REPORTS FROM BREAKOUT GROUPS**

### **Breakout Group 1**

#### *Highlights of the discussion:*

- The issues discussed in the White Paper will continue to unfold in the coming months;
- How the resources fall will determine some of the implications for implementation;
- The five goals will help bring a common focus to discussions of foreign assistance;
- Education is embedded in a number of the goals, but the outcomes will be different depending on the goal;
- This better aligns U.S. resources and gives a clearer vision of how resources should be used;
- There is a fuzzy line between fragile states and transformational development;
- This approach to development does not exclude the poorest countries, but invests in those that have shown initiative and have made some progress; and
- USAID is looking very carefully at graduation strategies.

### **Breakout Group 2**

#### *Highlights of the discussion:*

- There is a need to pay attention to regional issues;
- There is not enough focus on specific issues in the White Paper;
- The term “transformational development” needs to be better defined;
- Transformation has to do with developing leadership;
- Selectivity within the category of failed states could be very difficult;
- There is a need to look at the myriad of issues facing fragile states and how to redesign the responses to best meet the needs;
- The White Paper could provide more clarity to what USAID does; and
- The PVO community needs to be engaged in these discussions.

**Mark Your Calendars**  
**Next ACVFA Meeting**  
**June 23, 2004**  
**The Hilton Washington**  
**1919 Connecticut Avenue, NW**  
**Washington, DC 20009**

This summary of the ACVFA public meeting has been prepared and distributed by the USAID Office of Private Voluntary Cooperation - American Schools and Hospitals Abroad in the Bureau for Democracy, Conflict, and Humanitarian Assistance. The full report is available online at [www.usaid.gov/about\\_usaid/acvfa/acvfapubs.html](http://www.usaid.gov/about_usaid/acvfa/acvfapubs.html).