ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

Public Meeting
February 16, 2005

William S. Reese, ACVFA Chair, welcomed the ACVFA Members, the U.S. Agency for International Development (USAID) staff, and the meeting participants, remarking that while this is the first meeting in a new administration, fortunately the Agency doesn't have a new Administrator. This meeting is a chance to build on the momentum of the last four years and the initiatives and reforms already begun and to look toward the future.

KEYNOTE ADDRESS
Andrew Natsios, Administrator, USAID

Supporting fragile states is important for a number of reasons. First, fragile states have the potential to create humanitarian disasters that dwarf even the greatest natural calamities. Second, as the National Security Strategy of 2002 described, "America is now threatened less by conquering states than we are by failing states."

The Fragile States Strategy will require close coordination, both among U.S. government agencies and between the United States and other countries. Cooperating with the U.S. military, for example, will be indispensable to USAID's work: if there are warlords on the loose, non-governmental organizations (NGOs) can do very little.

The first reform undertaken as part of the Fragile States Strategy will be to refashion USAID budget accounts to more closely approximate these priorities. Toward that end, the 2006 budget moved $275 million from Development Assistance (DA) to the Office of Transition Initiatives (OTI). The goal is to make USAID more flexible, since fragile states, if unsupported too long, may simply fail. A second reform moves $300 million from Title II food aid to Food for Peace (FFP) to the International Development and Famine Assistance account. The plan is to purchase food from local sources in the most time-sensitive emergencies rather than shipping all food from the United States.

A third reform will involve a major internal reorganization of the Bureau of Democracy, Conflict and Humanitarian Assistance (DCHA). This will encompass the following measures:

- A task force of two people, one from the pertinent Regional Bureau and one from DCHA, will coordinate responses to crises.
- DCHA will try to expand the pool of technical experts on whom it can call in a crisis.
- DCHA will improve coordination with the military, leading an operational planning unit to deal with complex emergencies, and building a common structure for working with each field combatant command.
- Global and Regional Bureau staff will be better integrated for crisis response.
- DCHA will recruit, train, and deploy a new cadre of Crisis, Stabilization, and Governance Officers.

DISCUSSION

Last year USAID created an Office of Infrastructure and Engineering, which will allow the agency to easily hire engineering contractors and staff more easily.

While specific countries are not identified in the Strategy itself, in the FY 06 budget presentation USAID has identified four countries—Ethiopia, Afghanistan, Sudan and Haiti—as pilot tests to provide more flexibility in its programming. These are countries of strategic importance to the U.S. and where the U.S. is investing heavily. Ultimately, other countries will be added to or taken away from the account.

The new cash for food program will be limited by the fact that many famines are the result of massive crop failures due to drought, conflict, disease, pests. When that happens there is no surplus food to buy.

A participant asked what USAID can do in working with the military to ensure a better meeting of minds, not a subjugation of long-term development needs to military or foreign policy needs. Mr. Natsios replied that greater problems will come if USAID does not reach out to the military. In Afghanistan, for example, the military took over much of the work USAID and NGOs usually do but without the benefit of experience in these areas. USAID staff members and partners invited to join in military training exercises should go. The military officers who go through them do behave differently in the field; they understand USAID and respect its people more.

In response to a question about the absence of the U.S. Information Agency, Mr. Natsios explained that USAID has funded twenty-eight radio stations and plans to put a Communications Officer in each of its missions.

THE NEW USAID ANTICORRUPTION STRATEGY

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

Corruption is a problem in fragile states, of course, but it isn't limited to them. It can appear in many sectors, not just government: medicine, small-business banking, extractive industries, agriculture, and education.

Currently USAID spends about $200 million each year on controlling corruption through checks and balances, audits, and management. According to its Field Officers, the following are key to fighting corruption:

- Committed local groups
- Long-term planning
- A multipronged approach

Conversely, anticorruption strategies are not likely to work if:

- Local people lack political will
- Public awareness campaigns are not tied to specific reforms
- Reforms are enacted without public awareness campaigns
- They fail to plan for the long term
- Donors don't work together

The new Anticorruption Strategy itself consists of the following key elements:

- Simultaneously addresses grand (or elite-level) and administrative (or low-level) corruption
- Takes advantage of opportunities quickly
- Integrates anticorruption strategies into all USAID programs
- Builds USAID's anticorruption knowledge

Operationally, USAID must:

- Accustom staff members to incorporating anticorruption in their work
- Coordinate with the diplomatic community
- Work with local press and NGOs to spotlight problems without putting reporters and NGO workers in physical danger
- Strengthen the ability of local Missions to identify problems

DISCUSSION

USAID has its own strong internal standards of transparency, but has had mixed success in applying the U.S. procurement model and standards in other countries.

The Agency is trying to develop a broader methodology that assesses corruption by looking at the underlying economic and governmental factors driving it, across multiple sectors and at different levels of government.

USAID is not setting aside money specifically to fight corruption. Rather it is trying to accustom its officers to thinking about transparency in every program area.

The Agency cannot address administrative corruption without removing the incentives that foster it. As to grand corruption, while the number of people engaged in it may be small, that small number can remove a huge amount of money from a country.

USAID is not likely to rank other countries in a "corruption index."

While addressing corruption is a government-wide commitment, the Strategy discussed today applies only to things USAID is doing. The next step for the Agency will be to work with other parts of the government to help implement it more broadly—and there is support in other areas of government. On the international front, fighting corruption was a major focus of last year's G8 summit, with discussions on transparency in public revenue and immigration policies and other areas.

PVO/NGO ANTICORRUPTION PANEL

Moderator: John Sullivan
Executive Director, Center for International Private Enterprise (CIPE)

Mr. Sullivan introduced the panel members and outlined some of the themes he hoped they would discuss. Traditionally it was accepted in some economic circles that you needed grease to facilitate development, and in the World Bank and elsewhere it was taboo to talk about "the c word." But today the world economic development culture has changed, and corruption is seen as a big obstacle to international investment in many countries.

One important advance in the Strategy is that it discusses "state capture" or grand corruption as well as low-level corruption. Another is that it moves from the traditional definition of corruption (the use of public office for private gain) to a broader one (the use of any *entrusted authority* for private gain).

Nancy Zucker Boswell
Managing Director, Transparency International (TI)

It's good that the Strategy acknowledges the need to keep learning, and includes a mechanism for doing so. It's also very timely that it discusses grand corruption.

The Agency is in the lead with its Strategy, but it will take all the donors working together with a consistent message to secure the desired impact. Better cooperation is needed in the G8 and among multilateral organizations. For one, in egregious situations, all donors should try to develop consistent reactions. Cooperation on preventive measures can also be effective. For example, currently the United States is the only country to include legal and regulatory transparency requirements in trade agreements. It would be helpful if the European Union and others did as well.

It is also important to build the political will at the same time to strengthen anticorruption laws and prosecute people on the one hand, and on the other to deny safe haven to corrupt people and money within the limits of due process. More should be done to strengthen local anticorruption systems and civil society and to require governments to make routine information, such as budgets, publicly available.

The report notes the increasingly important role of civil society in monitoring and promoting anti-corruption reforms. Nonetheless, to date, the resources committed to supporting local civil society groups and to enhancing their capacity has been inadequate to the task at hand.

More work is also needed in the private sector. Major multinationals and local businesses become a part of the problem when they pay bribes. A growing number of companies do want to do the right thing, but they need an environment that supports them.

Kenneth Wollack
President of the National Democratic Institute for International Affairs

In the past, the international community has focused on establishing regulatory frameworks, but these on their own will not reduce corruption. Political actors need to believe it is in their interest to adhere to the rules.

Corruption doesn't merely weaken a democracy. In fact, the condition of democracy in a given country will determine its ability to address corruption. The least corrupt countries are generally the most democratic, and vice versa.

Democracies are generally more successful than autocracies at fighting corruption thanks to:
• Interparty competition
• Legitimacy of elected leaders and political institutions
• Diffusion of power

This means that in some places, democratic reform must precede anticorruption efforts. If a regime is willing to steal or coerce an election, there will be little to prevent it from stealing money. In the past, the donor community often focused solely on building state institutions and civil society, thereby marginalizing political parties and parliaments. This has unintentionally weakened democratic institutions and led to the rise of populist leaders.

Neil Levine
Chief, Governance Division Office, DCHA, USAID

USAID believes it can get better development results if it addresses the problem of corruption, and corruption affects the poor most severely. But corruption also has a corrosive effect on democracy. "No problem does more to alienate citizens from their leaders," according to the USAID paper *Foreign Aid in the National Interest*. Often the threats in failing states can be traced to failures of governance and the prevalence of corruption.

For the first time the nation has commitment at the highest levels of government to take the problem on. The most significant reform of foreign aid since the Marshall Plan, the Millennium Challenge Account (MCA), sets anticorruption as the center of its policy.

That new commitment has been expanded by multidonor action: the G8 Comprehensive Transparency Initiative focuses on the budget and revenue transparency of governments and on the behavior of extractive industries and corporations in disclosing payments. This is a pilot effort in four countries— Nigeria, Peru, Nicaragua, and Georgia—and will likely be expanded to include other countries that have made a political commitment to fight corruption.

The Agency is now evaluating the threshold country programs undertaken under the MCA. The most compelling initiatives are those that take on a whole range of societal reforms and checks and balances. Access to information in particular is crucial. When institutions are weak, the first step to strengthening them is to make information available, convincing public officials that information is a public good that belongs to citizens.

Daniel Kaufmann
The World Bank Institute

The Strategy has several positive aspects in particular:
- The focus not only on economic development but also on social and political issues
- The treatment of both grand and administrative corruption
- The commitment to link development aid with anticorruption programs
- The discussion of the relative ineffectiveness of anticorruption commissions and national campaigns

In the future, however, USAID might pay greater attention to the following:
- Country typology
- Localized knowledge
- The power of data and diagnostics
- The use of indicators and data for planning overall strategy
- Leadership, especially bold leadership
- A second generation of transparency measures using the tools of the internet
- Setting priorities

DISCUSSION

When TI first developed its *Perception of Corruption Index* it wasn't sure it should even release it. When it did get out those in the developing world felt it was unfair to focus all the blame on them when bribe payers constituted half the crime. So TI developed a *Bribe Payers Index (BPI)*, too, and is pushing for an international convention to make criminal the paying of bribes. Similarly, the World Bank publicly lists companies engaged in corrupt practices. It might be worthwhile to convince G8 nations to do the same. While the Bank's list has been controversial, it has also been an extremely powerful tool. In today's world the loss of reputation is extremely punitive. Many of the companies so listed have gone bankrupt or had to reinvent themselves. USAID has not considered doing something similar.

"Cultures of corruption" can be broken when the taboo on discussing the problem is breached. Years ago CIPE had a conference on "transaction costs" in Brazil, after being told that it couldn't have a conference on corruption there. By the middle of that conference the participants brought up corruption on their own. There isn't a culture in the world where the underlying societal values are accepting of corruption, and once people begin to demonstrate political leadership things do begin to change.

A similar kind of story can be traced in political reform movements, which will eventually have breakthroughs if a political elite is given the space to organize separate from the government. Under these conditions countries may go very quickly from a fraudulent election one month to a legitimate one the next.

USAID'S NEW GLOBAL BRANDING AND CHANGES TO MARKING POLICY

Joanne Giordano, *Senior Advisor to the Administrator, USAID*

The Agency has created a *Graphic Standards Manual*, which sets compulsory guidelines for all communications produced by public employees and Agency contractors. It applies to programs, projects, activities, and communications funded entirely by USAID. Communications funded only in part by USAID, through cooperative agreements, will be co-branded under regulations to be spelled out under the *Partner Branding Guide*, currently being reviewed and revised and slated for release by summer 2005.

The *Graphic Standards Manual* includes the following changes:
- Updated logo to improve reproduction and readability
- Added a brand name, USAID, as a graphic representation of U.S. foreign assistance
- Added tagline: "From the American People"

This standard graphic identity is designed to work together as a unit, and must be used consistently and persistently to gain traction.

Mission Directors will be able to grant waivers from branding. For example, election materials or items produced directly for government ministries may not be appropriate for branding. For security reasons the goal is to mark projects and programs, not people or buildings.

There will be sub-brands for countries and places that receive U.S. assistance, for example, USAID│JORDAN. Nothing else can be used as an extension of the identity—bureaus, programs, and offices are down a rung from the primary brand.

In addition to defining the brand, the *Graphic Standards Manual* is raising standards for all communications from the agency or its contractors. Websites will also be rebranded. Guidelines and templates are available at www.usaid.gov/branding.

Publications not authored by USAID must have a cover note and a disclaimer. Contractors must seek approval to use a USAID identity on business cards or letterhead, and then they may do so only within certain guidelines.

The Agency also has a new standard for plaques and project signs. These must now demonstrate partnership by using U.S. and host-country flags and messages in both English and local languages. The approved tagline is "From the American People to the People of [X]." Contractors can be included at the bottom if appropriate.

Program materials do not need to follow brand standards for color, font, etc. The brand identity should be included at the bottom or where appropriate. Separate program logos should be used minimally if at all.

The agency is simply requiring that this be done "with all reasonable dispatch." Contractors and missions can use up supplies of old stickers, letterhead, etc.

USAID MARKING INITIATIVE: THE LEGAL FRAMEWORK

John Niemeyer
Attorney Advisor, Office of the General Counsel, USAID

Marking is required in USAID's framework legislation. Current regulations (AIDAR 752.7009) and Agency policy (ADS 320) require marking by contractors, and USAID is requiring contractors to follow new branding guidelines "with all reasonable dispatch." There is no marking requirement in current regulations (22 CFR Part 226) or Agency policy (ADS 320) that covers administration of grants and cooperative agreements.

USAID issued a notice of proposed rulemaking (a draft rule) in the *Federal Register*, December 20, 2004. The proposed rule amends 22 CFR Part 226 to require marking by recipients of grants and participators in cooperative agreements. The period for public comment closed February 3, 2005. USAID received just over forty comments.

USAID is currently reviewing those comments as part of the process of preparing a final rule, which will include further explanations of the Agency's decisions. During the review, USAID is prohibiting so-called ex parte contacts—discussions with non-Agency personnel on the substance of the rule—in order to protect the integrity of the rulemaking process, especially the principle that the final rule, if any, will be based only on Agency expertise and public comments.

COMMENTS

A participant commented that in the absence of the actual new rule, the chief officers of private voluntary organizations (PVOs) and NGOs risk getting in trouble with auditors for not adhering to the next closest thing, the *Graphic Standards Manual*. The Agency is working with the Inspector General (IG) up front to avoid such problems, perhaps by developing a checklist for Cognizant Technical Officers (CTOs) and IG offices. However, under OMB 133, most PVOs are audited routinely by auditors outside the U.S. government. A compliance guide for A133 auditors would therefore also be of great help.

A participant requested that USAID put waiver authority even closer to the field than the mission office, perhaps to the Agreement Officer. They are warranted and have a lot of authority, issuing letters for every award that give specific guidance to CTOs under assistance instruments. Discussion of branding could be included nicely in those letters.

A participant suggested that a discussion of marking and branding be included in the Request for Application (RFA) process. Mr. Niemeyer responded that the idea is an interesting one, but may be at variance with the goal of granting waivers at a local level, based on the best, newest local information.

An ACVFA Member and a participant both applauded USAID for the cooperative mechanism described today, and for stating that not everything will need to be branded. They pointed out, however, that this differs from the tone of the proposed rule. The Member and several participants requested the opportunity to comment on the rule again after it is redrafted.

A participant asked whether the *Partner Branding Guide* mentioned will be a part of the final rule. It will not. It will, however, be developed in consultation with PVOs and NGOs.

A participant suggested some categories be excluded from branding prior to a negotiated exception, e.g. democracy and human rights programs. Another participant suggested the same kind of exception be applied to social marketing and items. The Agency is looking into the issue.

An ACVFA member requested that USAID keep in mind the commitment of its contractor partners as well, and not overly restrict their creativity.

A participant commented that people are sometimes scared to exercise their authority to grant waivers, even when they should. Mr. Niemeyer replied that the Agency is trying to encourage its people to err on the side of safety.

A participant asked how specific the branding policy will be with respect to food packaging. The Agency is developing a separate set of regulations for the Freedom Food Program, informed by the results of the current rulemaking process.

An ACVFA Member mentioned a proposal for a general blanket waiver that could be extended for security reasons, separate from any specific waivers. For example, that branding requirements be waived in any places where employees collect danger pay. She also asked about the timing of the final rule. Mr. Niemeyer replied that the schedule has not yet been finalized.

The ACFVA Chair pointed out that training of CTOs will be hugely important to the success of this endeavor. Concerns about compliance control are well founded, as many auditors care little for mitigating circumstances. Waivers can also be problematic: an organization asking for one may look like it is trying to evade the requirement, and they can also take a long time to grant. The PVO, NGO, and contractor communities have communications specialists far more knowledgeable and experienced than those in government, because they deal with branding issues with the media and large corporate partnerships. They should be part of the solution rather than simply asking for waivers.

Ms. Giordano reiterated that she will not be able to create the *Partner Branding Guide* without the cooperation of the partners.