Federal Agency Name:	**United States Agency for International Development (USAID)**
Funding Opportunity Title:	Policy, Advocacy, and Communication Enhanced for Population and Reproductive Health (PACE)
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Issuance Date:	**March 13, 2015**
Questions Deadline before the First Submission of Concept Papers (Round 1):	**March 23, 2015 at 5:00 pm EST**
Deadline for First Submission of Concept Papers (Round 1):	**April 15, 2015 at 2:00 pm EST**
Questions before the Second Submission of Concept Papers (Round 2):	TBD
Deadline for Second Submission of Concept Papers (Round 2):	TBD

Submit questions and concept papers electronically to:

Samantha Corey
Agreement Specialist
scorey@usaid.gov
202-567-4517
USAID (SA-44)
301 4th Street SW, 5th Floor
Washington, DC 20024

Alisa J. Dunn
Agreement Officer
adunn@usaid.gov

To Interested Applicants:

The United States Agency for International Development (USAID) seeks concept papers from qualified applicants. This APS publicizes the intention of the United States Government (USG) to fund up to three (3) awards through the USAID, Global Health Bureau to address the overarching APS Program Purpose of assuring family planning and population issues are included in policies and programs as key to sustainable and equitable economic growth and development. This APS provides prospective applicants with a fair opportunity to develop and submit competitive applications to USAID for potential funding.

Applicants will first submit a <u>*Concept Paper*</u> that will be reviewed for responsiveness to the purpose and results of this APS and then scored according to the evaluation criteria provided. **If an applicant is successful in the concept paper stage, USAID will then request the submission of a <u>*Full Application*</u>, with content and format to be provided in greater detail by the Agreement Officer.**

Sincerely,

/s/

Alisa J. Dunn
Agreement Officer
Office of Acquisition and Assistance
M/OAA/GH/POP

TABLE OF CONTENTS

Acronym List

APS	Annual Program Statement
DFID	Department for International Development (U.K.)
FP/RH	Family Planning/Reproductive Health
GH	Bureau for Global Health
HRH	Human Resources for Health
IDEA	Inform Decision Makers to Act
NICRA	Negotiated Indirect Cost Rate Agreement
PED	Population Environment and Development
PHE	Population Health and the Environment
PRH	Office of Population and Reproductive Health
RH	Reproductive Health
SBCC	Social and Behavior Change Communication
TEC	Technical Evaluation Committee
TMA	Total Market Approach
UNFPA	UN Fund for Population
USAID	US Agency for International Development
USG	US Government

Policy, Advocacy and Communication Enhanced (PACE) for Population and Reproductive Health

SECTION I: FUNDING OPPORTUNITY DESCRIPTION

Statement of purpose: The purpose of this APS is to publicize the United States Government's (USG) plan to fund up to three (3) cooperative agreements (hereafter called agreements) for a period of five (5) years each, through the U.S. Agency for International Development's (USAID) Washington Global Health Bureau (GH) to address the overarching APS Program Purpose of assuring family planning and population issues are included in policies and programs as key to sustainable and equitable economic growth and development. Its sub-purpose is increased political and financial commitment for FP/RH at global, national, and decentralized levels.

To achieve the overall purpose above, the three results of the APS are to:

- <u>Strengthen individual and institutional capacity in advocacy, policy communications and negotiations;</u>
- <u>Increase commitment for multisectoral approaches to integrated population, health, environment, climate change, resilience, food security, livelihoods and security programs; and to</u>
- <u>Analyze, synthesize, and disseminate data and information to engage policy and advocacy audiences to act.</u>

This APS is issued under the Foreign Assistance Act of 1961, as amended.

Awards will be made under federal regulations and agency policy. For U.S non-governmental organizations, awards must be administered according to 2 CFR 200 and 2 CFR 700, and USAID Standard Provisions will apply (http://www.usaid.gov/policy/ads/300/303maa.pdf). For non U.S. non-governmental organizations, USAID provisions for non U.S. non-government organizations will apply (http://www.usaid.gov/policy/ads/300/303mab.pdf).

The funding may be provided through GH offices, mainly through the Office of Population and Reproductive Health, but possibly through the Office of HIV/AIDS, the Office of Health Systems Strengthening, and Office of Health, Infectious Disease, and Nutrition as well as USAID mission field support. As determined by the source of funding, awardee(s) will be expected to comply with USAID regulations governing family planning and reproductive health, HIV/AIDS, and/or other health programs.

Period of performance: The proposed period of performance for agreements awarded as a result of this APS will be approximately five years in duration beginning from the negotiated start date, and subject to availability of funds. Concept papers – and later in process, full applications -- should not propose activities for less than a five-year period of performance.

SECTION II: Award Information

Funding: Contingent on the availability of funding, USAID/GH/PRH anticipates awarding up to three (3) cooperative agreements (hereafter called agreements) for a period of five (5) years each. The actual number of awards under this APS is subject to the availability of funds and the viability of applications received. Accordingly, USAID reserves the right to award multiple awards or no awards at all through this APS.

USAID's substantial involvement during the implementation of the program will be limited to approval by the Agreement Officer's Representative (AOR) – delegated to the AOR by the AO -- of the elements listed below, except for any changes to the program description or the approved budget that requires AO approval:

1. Approval of the Recipient's Implementation Plans: Implementation plans include, but are not limited to, annual work plans, including planned activities for the following year and any subsequent revisions, international travel plans, planned expenditures, knowledge management plans, event planning/management, and international meeting preparation;
2. Approval of Specified Key Personnel - the key personnel will include the following positions:
    a. Project Director
    b. Minimum of One Key Personnel Technical Expert
3. Agency and Recipient Collaboration or Joint Participation:
    a. Monitoring and Evaluation - USAID involvement in monitoring progress toward the achievement of program objectives during the performance of the project, including written guidelines for the content of annual reports and final evaluations in accordance with 2 CFR 200.328 and guidance conforming with PEPFAR (if necessary) reporting requirements at country level. The M&E plan will be developed in consultation with USAID. During the initial project planning period, the applicant shall work closely with USAID to establish major milestones, program monitoring indicators, as well as baseline data and performance targets which will demonstrate successful achievement of the results addressed in the cooperative agreement. The M&E plan shall be submitted within 90 days of the award. The applicant and USAID will jointly review progress on a periodic basis.
    b. Collaborative involvement in selection of advisory committee members, if the program will establish an advisory committee that provides advice to the recipient. USAID will participate as a member of this committee as well. Advisory committees must only deal with programmatic or technical issues and not routine administrative matters.
    c. Monitor to authorize specified kinds of direction or redirection because of interrelationships with other projects. Activities will be included in the program description, negotiated in the budget, and made part of the award. Note: the AOR will provide review of the proposed change, and the AO is the only individual who can provide approval for this element of substantial involvement.

d. Concurrence on the substantive provisions of sub-awards. 2 CFR 200.308 already requires the recipient to obtain the AO's prior approval for the sub-award, transfer, or contracting out of any work under an award (delegated to the AOR for certain sub-awards).

This APS will remain open from March 13, 2015 to March 12, 2020. USAID will review concept papers in at least one round. The following schedule details when concept papers will be due for each round:

First round: April 15, 2015 at 2:00 pm EST
Second round: TBD

As soon as all available funding has been committed, the USG reserves the right to close or amend the APS application process on or before the end date of March 12, 2020. Organizations are therefore encouraged to apply as soon as possible to be considered for review in the first review cycle to maximize the possibility of available funding. The anticipated start date for the cooperative agreement(s) is on or about September 30, 2015.

Issuance of this APS does not constitute an award or commitment on the part of the USG, nor does it commit the USG to pay for costs incurred in the preparation and submission of a concept paper or an application.

Each concept paper must address the overarching APS Program Purpose of assuring family planning and population issues are included in policies and programs as key to sustainable and equitable development and economic growth. Applicants may choose to address all three Project Results in their proposed technical approach or may choose to focus on one or more of the Project Results. The expected total ceiling for all agreements to be awarded under this APS will be approximately US $55 Million with approximately $30 Million in funding from the Office of Population and Reproductive Health (GH/PRH) and $25 Million in field support funding from USAID Missions and other Bureaus. A single award of up to $35 million could be made for one agreement, depending on the amount of work undertaken and number of results addressed. Any other awards would collectively be awarded up to the remaining amount of $20 million.

Core funds from GH/PRH will fund activities that advance the Office's Intermediate Results:

1.0 Global leadership demonstrated in FP/RH policy, advocacy, and services.
2.0 Knowledge generated, organized, and disseminated in response to program needs.
3.0 Support provided to the field to implement effective and sustainable FP/RH programs.

FP/RH funds may be used only for activities that impact family planning and reproductive health (FP/RH) outcomes, as defined in the Child Survival and Health Guidance (http://www.usaid.gov/policy/ads/200/200mab.pdf). In multisectoral activities, FP/RH funds can be used to support the FP/RH components, but funds from non–FP/RH sources must be used to support activities that do not directly affect FP/RH outcomes.

The ceiling of each agreement will be determined by the amount of money available and the activities proposed. USAID reserves the right to partially fund applications.

This APS is open to US and non-US based organizations. Applicants expecting to work outside the US must be able to demonstrate that they have work experience in more than one country. The Geographic Code authorized for this APS is 937. USAID funds health activities in almost 60 countries. PRH prioritizes 24 high-need countries[1] as well as the Ouagadougou Partnership countries[2].

Criteria for Award Selection: A Merit Review Committee will evaluate the concept papers and score each applicant based on criteria outlined below in Section V. Additional instructions and criteria for full application submissions will occur after evaluation of concept papers and when full applications are requested. **Not every concept paper submitted through this APS will automatically be selected to submit for a full application**.

Applicants must be US organizations or non-US organizations registered and working in USAID-assisted countries. See Section III for specific Eligibility Information.

The actual number of awards under this APS is subject to the availability of funds and the viability of applications received. Accordingly, USAID reserves the right to award multiple awards or no awards at all through this APS.

Cost share: Cost sharing of a minimum 10 percent is required. Please provide information on cost share as part of the budget.

Environmental Impact: It has been determined that activities conducted under this APS will not negatively impact the environment. In accordance with the 22 CFR 216.22, the project will not have a significant effect on the human, physical and biological environment and qualifies for a “Categorical Exclusion” in the Initial Environmental Examination (IEE), considering the nature of activities anticipated under this APS. The AOR management team will continue to collaborate with the GH Environmental Officer to ensure the award(s) and associated activities incorporate environmentally sound principles in implementation, and adhere to this determination of a “Categorical Exclusion.”

[1] Afghanistan, Bangladesh, Democratic Republic of the Congo, Ethiopia, Ghana, Guatemala, Haiti, India, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Nigeria, Pakistan, the Philippines, Rwanda, Senegal, South Sudan, Tanzania, Uganda, Yemen, Zambia.

[2] Benin, Burkina Faso, Cote d’Ivoire, Guinea, Mali, Mauritania, Niger, Senegal, Togo

Background:

As countries and other global development actors unite to shape the post-2015 Development Agenda—creating a new set of time-bound targets to succeed the Millennium Development Goals—continued investment in health and population policies and programs is essential to country-level progress and USAID's goal of eliminating extreme poverty and enabling resilient, democratic societies to realize their potential. Health and other pillars of sustainable development such as economic growth and environment are inextricably linked in this effort. Yet countries face significant challenges in obtaining and sustaining both political and financial commitments to improve health outcomes, and in particular, meeting the demand for family planning and ending preventable child and maternal deaths.

Since 2009, there has been a revitalization of family planning programs, characterized by growing attention and global partnerships. The 2012 London Summit on Family Planning brought welcome visibility to family planning, setting a goal of enabling 120 million additional women and girls in the world's 69 poorest countries to access and use contraception by 2020, and launching the global movement known as Family Planning 2020 (FP2020). To date, more than 30 of the 69 countries declared commitments to address the policy, financing, delivery and socio-cultural barriers to women accessing contraceptive information, services and supplies, and donors, foundations, and private entities have pledged an additional US$2.6 billion in funding. With a leadership role in the FP2020 governance structure, USAID remains the largest bilateral donor of international FP/RH assistance, and is a key implementing partner of the FP2020 agenda. USAID is also a founding member, along with The Gates Foundation, the French Government, the Hewlett Foundation, and nine Francophone West African countries (Benin, Burkina Faso, Guinea, Ivory Coast, Mali, Mauritania, Niger, Senegal and Togo) of the Ouagadougou Partnership. The Partnership hopes to reach one million additional family planning users in these countries by 2015. In addition to the global partnerships for family planning, there is increasing recognition that FP/RH programming is absolutely critical to achieving USAID's mission of "partnering to end extreme poverty and to promote resilient, democratic societies while advancing our security and prosperity." As a health intervention, it contributes to the Agency's health goals of ending preventable child and maternal deaths and achieving an AIDS-free generation.

This period of renewed energy for family planning programs follows a period from 1996 to 2008 of growing neglect. During this era, donors shifted attention away from family planning to other health priorities, most notably, HIV/AIDS and malaria. USAID funding decreased and other donors prioritized basket funding over support for specific programs. As a result of this neglect, USAID developed the Repositioning Family Planning Initiative to ensure family planning remained a priority for donors, policy makers, and providers in sub-Saharan Africa. This initiative helped to return family planning as a priority for donors and governments and developed into the driving force behind the increased momentum for family planning that exists today. The current goal of the Repositioning Family Planning Initiative aims to lead strategic partnerships that increase political and financial support for FP in sub-Saharan Africa.

With multiple USAID global and in-county initiatives, and both internal and external Agency partnerships and strategies, the overall policy environment requires continued attention to sustain recent gains made in meeting unmet demand for family planning. Resources remain finite, and often inadequate despite recent increases. Some countries are facing a paradigm shift in planning and financing under newly devolved government systems. Efforts are needed to translate advocacy efforts and approaches beyond the national level to decentralized levels as countries continue to devolve. Decision making and resource allocation are no longer the preserve of the national government in these countries; consequently, the awardees under this APS will be expected to propose ways to continue to ensure that commitments from countries, governments, non-governmental organizations, and private corporations will be implemented and used to accelerate progress in meeting unmet demand for FP/RH while advancing the principles of human rights and informed choice. Additionally, while there have been many donor commitments to family planning, not enough money moves to the countries and populations with the highest needs. This APS emphasizes the need to build the capacity of institutions and individuals in policy, advocacy, and communications to expand and solidify commitments to FP/RH and thereby address issues of equity.

PRH Framework for FP/RH Policy, Advocacy, Financing and Governance:
The design of this current APS was largely influenced by the PRH framework for policy, advocacy, financing, and governance. This framework was developed to help the Office focus resources in these areas. In developing the Framework, the design team interviewed key colleagues from USAID, donors, and others. The analysis resulted in four major priority areas which were fundamental in the design of this APS: 1) Elevate health, population and FP/RH principles, services and practices as integral to development; 2) Develop, implement, and monitor policies that improve access, availability, equity, agency and affordability of quality services, supplies, and information for all, including youth/adolescents; 3) Build capacity and sustainability by fostering greater accountability and transparency of institutions and individuals; and 4) Ensure sustainable, predictable, long-term, and adequate financing for services, systems, and supplies.[3]

PRH Five Focal Areas:
PRH designed this APS to help advance the Office of Population and Reproductive Health's goal to "advance and support voluntary family planning/reproductive health programs worldwide." To accelerate progress toward this goal, PRH identified the following five priority technical areas: Total Market Approach, Family Planning Work Force, Social and Behavior Change Communication, Method Choice, Supply Chains. GH/PRH recognizes that these five focus areas do not encompass the full range of FP/RH programming needed at the country level. However, by prioritizing these areas, the Office aims to reach its goal.

The totality of the Office's portfolio is not defined by the focus areas. Our work will continue to be guided by the principles of voluntarism and informed choice that have been the foundation of USAID's population (now family planning and reproductive health) program since its inception in 1965. Success in the five focus areas will require attention to FP/RH program components that traditionally strengthen the GH/PRH portfolio. These strengths include improving the enabling policy environment, which underlies the work of this APS. Applicants will be expected to incorporate activities that advance these five priority areas in their proposals. All of the focus areas have some components which could benefit from increased policy and advocacy.

[3] A copy of the full Policy, Advocacy, Finance and Governance Framework is attached to this APS.

***1) Total Market Approach*:**

The Total Market Approach (TMA) considers and supports the comparative advantages and complementary roles of all sectors of the FP market to foster long term, sustainable delivery of FP information, products and services to all market segments, or population groups who want to use contraceptives. PRH defines the FP market as those actors providing the supply of FP information, products and services and can include any constellation of public and private, nonprofit and for profit sectors.

PRH's vision is a fully rational and efficiently segmented market where youth, women, men and couples access a full range of family planning products and services. By 2020, countries that receive USAID assistance will possess the capacities to design, implement, and sustain high-performing family planning programs that include all market sectors for information, product and service delivery in a rational, efficient, and equitable way. By 2030 all sectors (public, non-profit, informal, commercial), will provide a full range of FP products and services with donor/government/subsidized products efficiently targeted to those consumers with the greatest economic, geographic, and/or other barriers to access.

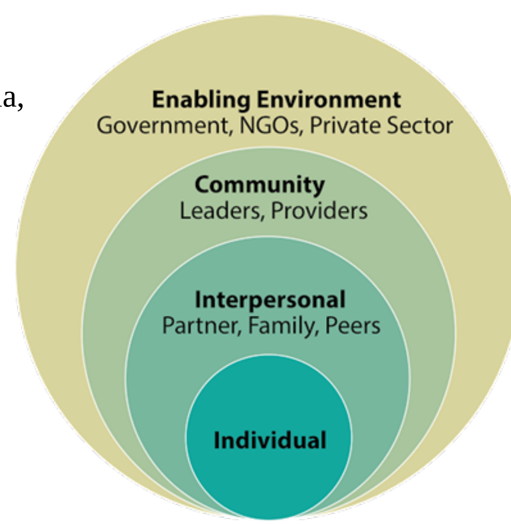
***2) Family Planning Work Force*:**

A chronic shortage of staffing for FP exists throughout Latin America, Asia and Africa. In order that PRH's goal of reaching 75 percent of demand by 2030, a work force that recognizes the needs and rights of its clients is vital. By 2020 the public and private sector FP/RH work force in PRH priority countries will be strengthened, expanded and in place to support increased access to high quality FP products, information, and services that are gender sensitive and age and developmentally appropriate.

By 2030 there will be adequate numbers of well-prepared family planning providers positioned within both the public and private sectors, to ensure access to high quality FP/RH products, information and services by women and men of all ages who want them. As part of the larger health work force, they will be supported by human resource systems that embody strong human resource management (HRM) practices, thereby enhancing the sustainability of the strengthened FP/RH work force. Priorities include: increase access to high quality FP/RH services by expanding the number of FP/RH workers by developing new cadres and task sharing. Addressing the quality and competency of FP/RH workers through education and training and collaborating on wider efforts to improve the work environment are areas of particular interest to the policy advocacy community.

***3) Social and Behavior Change Communication*:**

SBCC is the use of communication strategies—mass media, "new" and social media, community-level activities, and interpersonal communication (IPC)—to influence individual and collective behaviors of health. High-quality SBCC is an essential element of health programming, as it shapes not only demand, but also client-provider communication, couples' communication, and engagement of community leaders



and other influencers. SBCC is closely related to advocacy (which seeks to influence the behavior of leaders) and social marketing (which includes demand creation for socially marketed products and services), and should ideally be aligned with both at the country level through partner coordination and shared planning processes.

Many implementers situate health communication in a socio-ecological framework, which recognizes that determinants of health and health behavior exist on multiple levels and extend beyond the individual. Specifically, socio-ecological models acknowledge the influence of interpersonal relationships, community structures, and cultural norms and values on individual choices and behaviors.

***4) Method Choice*:**

Client-centered information, counseling and services enables more women, youth, men, and couples to decide and freely choose a contraceptive method that best meets their reproductive desires and lifestyle, while balancing other considerations important to choice, correct use, or switching methods.

Priorities for 2014 – 2020 include connecting specific population groups with appropriate methods by expanding the range of existing methods to be available to them. Introduce or scale up access to under-utilized methods. By 2030 women, youth, men, and couples will have a wider range of contraceptive methods and technologies to choose from, and will use their preferred contraceptive method. Method choice can have broad policy and advocacy implications which may include those of rights and empowerment.

***5) Supply Chains*:**

Supply chains focus on improving the long-term availability of affordable, quality-assured contraceptives and related family planning/reproductive health (FP/RH) supplies for clients. This focal area works in concert with other focal areas to support PRH's principles by:

- Making available through PRH's global supply operation the full range of products needed for informed choice;
- Strengthening both public and private sector country supply chain systems, with a focus on last mile distribution to ensure the availability of contraceptives to even the most marginalized, hard-to-reach, or disadvantaged clients;
- Supporting policy and regulatory environments that support the availability of a full range of products through healthy markets, including the introduction of new products that expand contraceptive options for clients.

Because an area once dominated by a few players evolved into a global movement called "reproductive health commodity security", that joins many actors, PRH's leadership for product availability is increasingly exercised through partnerships, both formal and informal. Key global partnerships with product availability as their primary goal are the Reproductive Health Supplies Coalition, People that Deliver, and U.N. Commission on Life-Saving Commodities. There also exist an expanding number of inter-agency partnerships focused on specific tasks, such as UNFPA, World Bank, and the Bill and Melinda Gates Foundation.

Whether for global supply or country supply chain systems, improvements in supply chain systems require more than technical solutions. They also require commitment, leadership, and engaged stakeholders in the public and private sectors; adequate, predictable, and sustainable financing for products and supply systems; and good governance and supportive policies. The Illustrative areas of attention are:

- *Commitment, leadership and engaged stakeholders*: providing and using quality data for advocacy and decision making; strengthening organizational leadership and supporting champions; engaging civil society as stakeholders.
- *Financing:* building capacities to gather, analyze, and interpret financing requirements and revenue sources across the public and private sectors, and to coordinate stakeholders to implement strategies that ensure effective allocation and utilization of resources.
- *Governance and supportive policies*: promoting supportive policy and regulatory environments (product selection and registration, essential medicines lists, etc.); improving transparency in decision making and financial and supply chain systems; strengthening government-led coordination with active participation of relevant actors.

Program Description:

The award(s) under this APS will advance the Agency's goals of ending extreme poverty and ending preventable child and maternal deaths by ensuring that decision makers understand the health and economic benefits of voluntary family planning and in turn, implement policies and programs to help meet unmet demand for family planning. In addition, the award(s) will advance the Agency's commitment to increasing gender equality and promoting youth empowerment as a means to achieving other development outcomes. The projects will work with host country governments, other donors, implementing partners, and civil society to ensure that family planning and population issues are included in policies and programs as key to sustainable and equitable development and economic growth. By building individual and institutional capacity in advocacy, policy communications, and negotiations, increasing commitment for multisectoral approaches to integrated population, health, environment, gender, equity, and other development issues such as resilience and food security, and analyzing, synthesizing, and disseminating pertinent data and information, the award(s) will increase both political and financial commitment for family planning.

The activities under this current APS will build on the lessons learned from past policy projects. In 2010, the Office of Population and Reproductive Health awarded one cooperative agreement each to the Population Reference Bureau, The Aspen Institute, and the Environmental Change and Security Program of the Woodrow Wilson Center under the Inform Decision Makers to Act (IDEA) APS. The purpose of the IDEA APS was to increase support among decision makers for effective health and population policies and programs. Collectively the projects analyze, synthesize, and disseminate data and information to raise awareness about the impact of family planning on health and development. In addition to these three IDEA projects, PRH also manages a large flagship project, the Health Policy Project, that addresses policy issues across the Global Health Bureau, particularly in the areas of FP/RH, maternal health, and HIV/AIDS.

One of the most important lessons learned from past investments demonstrates the continuous need to inform decision makers about the role of population issues in overall development and to develop innovative messages and means of communication to resonate with them, both in countries and on the global stage. The policy environment itself also constantly changes, necessitating continuous refinement of policy formulation and implementation. Moreover, new and innovative approaches will be vital in implementing the activities under this APS.

This APS aims to ensure family planning and population issues are included in policies and programs as key to sustainable and equitable development and economic growth. Its sub-purpose is increased political and financial commitment for FP/RH at global, national, and decentralized levels. To achieve the overall purpose and sub-purpose, the three results of the APS are to: 1) Strengthen individual and institutional capacity in advocacy, policy communications and negotiations; 2) Increase commitment for multisectoral approaches to integrated population, health, environment, climate change, resilience, food security, livelihoods, and security programs; and to; 3) Analyze, synthesize, and disseminate data and information to engage policy and advocacy audiences to act**.**

<u>Cross Cutting Issues</u>:

All work under this APS will incorporate three cross-cutting issues: gender, equity, and youth. These issues have been a focus of the Office of Population and Reproductive Health and are also reflected in recent Agency policies (Appendix A: Gender Equality and Female Empowerment Policy, March 2012; Appendix B: Youth in Development Policy, October 2012). Sustainable and equitable development cannot be achieved in the long run without attention to gender, youth and equity. Effective integration of these cross-cutting issues reflects PRH's commitment to rights-based FP/RH. As such, activities under this APS will incorporate considerations concerning gender, youth, and equity to ensure fully informed and voluntary acceptance of FP/RH services and commodities.

Gender: This APS will support integration of gender equality into the development and implementation of policies and advocacy efforts affecting the health of populations. It will contribute to improved health outcomes for all by:

- Improved intergovernmental coordination across sectors in development, design, implementation, and monitoring of health programs and services, contributing to improved health status of women and girls and other marginalized populations and to greater access to and use of health services (particularly FP services) by men;
- Promoting gender equality efforts in decentralization and/or policy harmonization between national and regional/local health policymaking bodies. Increased participation of women, girls and sexual minorities in the planning, design, implementation, monitoring and evaluation of health policies and programs;
- Supporting women's health and rights organizations in building constituencies to legitimize and advance gender equality in health policymaking; and
- Strengthened policy, governance, and social participation for the prevention and response to gender-based violence.

Equity: Health inequity, including the persistently higher levels of unmet need for modern contraception found among the poorest quintiles relative to the wealthiest quintiles in many countries, is both a public health and a human rights challenge. Women with access to modern contraception and the ability to limit family size as desired also have increased economic opportunities as wage-earners. To meet the Agency's goals of alleviating extreme poverty (Appendix C: USAID Frontiers in Development – Ending Extreme Poverty, 2014), and address the other social determinants of inequity identified in the sustainable development goals currently in development, it is clear that contraceptive use will need to increase across all quintiles, but especially within the poorest quintiles and for those with the least equitable access to and use of contraception. The applicant (s) will need to demonstrate an ability to raise awareness of the costs and consequences of inequitable access and use of family planning and reproductive health services; and to identify, develop, and apply new strategies and approaches to convince decision makers to advance health equity and improve FP/RH outcomes for the poor and underserved. Meeting unmet demand for contraception for women and couples in the poorest quintiles will be essential for countries' success.

Youth: With the largest cohort of young people ever alive today, and with the number of young people aged 10-24 expected to grow to almost 1.9 billion by 2050, their numbers will change the world drastically. Their job opportunities, education level, health, and of course, fertility will affect the shape of the future. Cross-sectoral programming is needed to address and improve a range of outcomes, including education and employment as well as efforts to end early marriage, delay childbearing and improve spacing practices among adolescent mothers. Programs and policies developed by youth and for youth will need to be integral to the work under this APS. Age disaggregated data is essential for planning and evaluation.

Results Framework:

<table>
<tr><td colspan="3">Purpose:
Family Planning and population issues included in policies and programs as key to sustainable and equitable development and economic growth.

Sub-purpose:
Political and financial commitment for FP/RH at global, national, and decentralized levels increased.</td></tr>
<tr><td>Result 1:
Individual and institutional capacity in advocacy, policy communications, and negotiations strengthened.</td><td>Result 2:
Commitment for multisectoral approaches to integrated population, health, environment, climate change, resilience, food security, livelihoods and security programs increased.</td><td>Result 3:
Data and information analyzed, synthesized and disseminated to engage policy and advocacy audiences to act.</td></tr>
<tr><td colspan="3">Cross-cutting elements: Youth, Gender, and Equity</td></tr>
</table>

Result 1: Individual and institutional capacity in advocacy, policy communications and negotiations strengthened.

To mobilize technical and financial resources for family planning and engage key decision makers, champions and other relevant stakeholders need to hone their skills to develop and implement advocacy and policy strategies. The skills required for advocacy and policy communications often need to be combined with adept negotiation skills, so that champions and other key stakeholders, including policy makers, can ensure that family planning, population dynamics, and gender equality are included as key elements of plans for sustainable and equitable development and economic growth.

Motivated champions, including researchers, civil society leaders, journalists, faith based leaders, and other decision makers and stakeholders, are needed throughout the policy process. Training of diverse cadres is an important aspect of expanding the pool of champions both nationally and regionally. To broaden the base of champions who can advocate for sound FP/RH policies and financing, innovative approaches that build champions across cross-cutting areas of gender, youth and equity, and multisectoral approaches like PHE should be promoted. In countries that have adopted devolved or decentralized forms of government, champions are needed to advocate for financing, implementation and monitoring and evaluation of population and development policies at all levels of government. A strong focus on south-to-south capacity building is needed. In many cases local organizations can provide assistance to build the capacity of other individuals and institutions in their region. Finally, support for building and strengthening national and regional networks for greater integration and sharing of lessons and best practices is critical to sustaining investments.

While building the capacity of champions and researchers from the developing world is critical for increasing support for FP/RH and population policies and programs, there is also a need to foster a new cadre of family planning and reproductive health experts, including those with expertise in gender, youth and equity issues as they pertain to FP and RH. For the past 20 years, the Office of Population and Reproductive Health at USAID supported a recent college graduate to work as a Fellow based in Washington, DC. The purpose of this program is two-fold: (1) for the Fellow to gain a broader understanding of the role of the United States in international health, and (2) for USAID to train the next generation of leaders in population and reproductive health. Continued support for this modest program is envisioned through this APS. Applicant(s) could consider proposing a second fellow who would be mentored by the applicant in another specialized area such as PHE or other pertinent field.

In the last few years there have been a multitude of global, regional, and national fora at which the effects of rapidly growing populations on resources for economic growth, human capital, and social resilience have been discussed at length. In addition, the links among rapid population growth, gender issues, poverty, and equity highlights the potential vulnerabilities and diminished opportunities that may occur for women and youth. These fora are indispensable for raising awareness about the importance of investing in health and population programs. Examples of such fora include the national population conferences in Kenya and Nigeria and the bi-annual International Family Planning Conferences in Uganda (2009), Senegal (2011), and Ethiopia (2013). The recipient(s) of this award will provide technical assistance to governments and other partners to ensure the goals of these conferences and meetings are achieved and that the pertinent information on the linkages between family planning and other development sectors is digestible and disseminated strategically. The award recipient(s) will support such fora in a technical capacity, but some support in logistics and planning will also be expected.

Finally, as noted in the background section of this APS, over the last five years the current environment for family planning has changed dramatically. Global partnerships, such as FP2020 and the Ouagadougou Partnership, seek to mobilize more political and financial commitment for family planning. Part of this effort centers on generating more commitments from governments and sharing programmatic experiences across countries. USAID is committed to the goals of both FP2020 and the Ouagadougou Partnership and will expect award recipients to provide support as needed to these efforts. Potential areas of support include providing technical assistance to the secretariat for both FP2020 and the Ouagadougou Partnership to synthesize and disseminate relevant data; and helping to organize annual meetings and conferences as needed.

Illustrative Activities:

- Journalists trained to understand and utilize population data, FP/RH issues, gender, youth, equity, and environment.

- New champions in both the public and private sector identified and trained to develop and implement advocacy strategies.
- Government and civil society leaders trained in negotiation skills.
- Relevant communities of practices on FP/RH issues offered support.
- Academic researchers trained on effective policy communication.
- Technical materials, including those that articulate the role of gender, youth, and equity issues in access to and use of FP services, synthesized on gender, youth, and equity issues, as well as effective policy communication.
- GH/PRH-based Policy Fellow and PHE (or other specialized) Fellow in Washington DC supported.

Illustrative Results:

- Number of methods, tools, and approaches developed, applied, and disseminated that demonstrate links among family planning, health, gender, youth, equity, and other development sectors.
- Instances of targeted public and private sector officials or community leaders applying or adapting project tools and methods.
- Instances of institutions applying skills gained in analysis, communication, and dissemination to influence decision makers.
- Instances of public and private sector officials or community leaders publicly demonstrating new or increased commitment to FP/RH and health issues.

<u>Result 2: Commitment increased for multisectoral approaches to integrated population, health, environment, climate change, resilience, food security, livelihoods and security programs increased</u>

Policies and programs that recognize the inherent interconnectedness of individual and family health, wealth, and well-being will likely improve social, economic, and environmental outcomes in a manner that is more efficient, cost-effective, and receive greater community buy-in. While many decision makers seem generally supportive of multisectoral approaches, there is limited actual integration of population, environment, and development issues at policy and program levels in-country. This lack of integration limits potential benefits such as reduction of poverty and hunger and achievement of broader sustainable development goals.

Population-environment-development (PED) is a development approach that recognizes the interconnectedness between people and their environment and supports multi-sector coordination for integrating population and FP/RH with multiple sectors including environment, climate change, resilience, livelihoods, food security, water, economic growth, education, democracy, and governance

Population-health-environment (PHE) falls under PED. PHE programs improve the delivery of family planning and reproductive health information and services to underserved communities in biologically significant areas where population growth threatens biodiversity or endangered species. USAID's Office of Population and Reproductive Health supports PHE efforts in three areas: (a) demonstrating global leadership to influence the worldwide PHE agenda; (b) generating, communicating, and disseminating knowledge to improve understanding of PHE linkages in new and primary audiences; and (c) supporting the field to strengthen institutional capacity to implement effective and sustainable PHE programs.

One particular challenge facing PHE policy and advocacy is the commitment to scale up programs. In spite of success at the community level, most PHE projects have remained small-scale often in isolated and hard to reach areas with limited chances of replication and scale up. Opportunities exist to ensure that policies, frameworks, and programs developed, and implemented in-country advance approaches that integrate population, health, environment, and development. Activities will help practitioners provide policy (and advocacy) relevant field stories, successes, and experiences to larger audiences. In addition, specific opportunities exist to advance dialogue and communication/advocacy on the intersection of gender and poverty within PED. The policy, advocacy and communications will be aimed at decision makers both in-country and in the U.S. and will target key sectors such as environment, climate change, resilience, livelihoods, food security, water, economic growth, education, democracy, and governance.

Another challenge is the limited capacity of local individuals and organizations to design, implement, monitor, and evaluate high quality PHE programs. Related to this challenge is insufficient capacity in policy advocacy and communication to facilitate development and implementation of multisectoral programs.

Agreement(s) under this APS will support an expanded population-environment- development (PED) focus. Successful applicants will recognize and build on past USAID investments in PHE policy and advocacy, with a particular emphasis on demonstrating PHE global leadership and supporting scale-up of PHE programs. To build and sustain the next generation of PED programs and leadership, activities will support efforts to build capacity of leaders and technical experts in both public- and private-sector institutions to plan, prioritize, and support PED activities. This will include support for efforts to promote development and implementation of legal and regulatory frameworks, macro-level and operational policies, and financing approaches to improve PED programs, including PHE. Because only a handful of centrally-funded projects address PHE, the activities under this APS are vital to strategically advancing the field, and expanding a broader PED approach.

Illustrative activities

- Support to regional and national PHE networks to advance policy advocacy and communications.
- Support, identify, and train new champions on effective policy communication to advance PHE and other multisectoral PED approaches.
- Support to develop and implement advocacy and communication strategies in PHE and other multisectoral PED approaches, with attention to gender, youth, and equity.

Illustrative results:

- Number of tools, methods, and approaches developed, applied, and disseminated for PHE or other multisectoral PED approaches.

- Instances of frameworks, ordinances and by-laws developed and applied that are supportive of PHE and other multisectoral PED approaches.
- Instances of researchers, program implementers, and policy makers dialoguing and acting on PHE and other multisectoral PED approaches.
- Instances of media coverage on PHE and other multisectoral PED approaches.
- Number of individuals and organizations trained in and supporting PHE and other multisectoral PED approaches.

Result 3: Data and information analyzed, synthesized and disseminated to engage policy and advocacy audiences to act.

This result covers a dynamic area. New research and data are produced constantly. New methods for synthesizing and presenting data are developing, and new leaders are constantly emerging. Although PRH worked in this area under previous projects, subject matter and leaders are always changing; to maintain visibility on policy makers' radar, PRH needs to generate continued and innovative efforts to advance FP/RH messages. The contribution of deliberate advocacy processes that include the translation of national data and research findings into effective tools to help policy makers define, implement, and finance appropriate strategies and programs cannot be overstated.

Policy makers and other stakeholders need information in formats comprehensible to them to deliver decisions based on evidence. For example, investing in family planning can help mitigate some of the world's most pressing issues such as food insecurity, climate change, civil unrest, gender inequality and poverty. In parts of sub-Saharan Africa, such as the Sahel and the Horn of Africa, rapid population growth is contributing to cycles of chronic poverty and food insecurity, undermining potential development gains. While the Agency's resiliency initiative addresses efforts to alleviate extreme poverty and food shortages, less attention is paid to population growth as one of the underlying drivers of these conditions. Especially in fragile states, research shows that achieving and sustaining poverty-reduction, health, and equity goals requires sustained investments in voluntary family planning programs. Moreover, evidence demonstrates that if countries increase access to family planning information, supplies, and services at scale, as well as accelerate reductions in child mortality, strengthen secondary education programs especially for girls and women, and institute sound fiscal and labor policies, countries could reap a demographic dividend and economic gains as well as linked gains in gender equality and female empowerment. The applicants will work with partners both inside and outside the Agency to generate and synthesize data to demonstrate the links between investing in family planning and improvements in other development sectors to various audiences, including: government officials at national and local levels, parliamentarians, civil society leaders, traditional, faith-based, and community leaders, journalists, and others. Data and other messages need to be developed and tailored to specific audiences, and they must be purposefully disseminated and their impact needs to be assessed.

Illustrative Activities:

- Annual country-specific health, population, and gender data, including data on inequities (e.g., by wealth quintile) available on-line in easy-to-use database format developed and disseminated.

- FP/RH data and information synthesized and delivered in formats and media that are useful to a variety of specific audiences, e.g., policy makers, nongovernmental organization advocates, journalists.
- Innovative and easy-to-understand graphics, especially in multi-media formats, to illustrate complex relationships between population growth and other sectors (e.g., economic development, environment) developed and disseminated.
- Data visualization including infographics disseminated through a variety of media.
- Social media used to promote, exchange, and reinforce FP/RH and population messages.

Illustrative Results:

- Decision makers use data and information to formulate and implement FP/RH policies and programming, including those that address gender and equity issues.
- Decision makers demonstrate improved understanding of connections between population dynamics and development, as well as between gender, equity, and FP/health.

Successful applicants will propose an approach and activities that respond to GH/PRH's, Framework for Policy, Advocacy, Financing, and Governance, and five focus areas; as well as to the specific results framework of the APS including the cross cutting issues of gender, youth, and equity.

SECTION III: Eligibility Information

Eligibility Criteria: To qualify for funding, organizations must be:

1. US organizations or non-US organizations registered and working in USAID-assisted countries; and

2. academic organizations (universities, professional schools, or two- or four-year colleges, including community colleges), or research institutes, professional societies or similar organizations that are directly associated with research activities;

If applicants are expecting to work outside the US, they must be able to demonstrate that they have work experience in more than one country. The countries covered under this APS are Code 937. USAID funds health activities in almost 60 countries, and the Office of Population prioritizes 24 countries[4] and an additional seven countries[5] under the Ouagadougou Partnership.

Partnerships that include organizations in developing countries are strongly encouraged to apply, inasmuch as they will support not only the objectives of this APS, but also USAID's objectives to build the capacities in local organizations that are needed for sustainable development. USAID encourages applications from potential new partners.

Applicant (unless the applicant is an individual or Federal awarding agency that is excepted from those requirements under 2 CFR 25.110(b) or (c), or has an exception approved by the Federal awarding agency under 2 CFR 25.110(d)) is required to:

(i) Be registered in SAM before submitting its application;

(ii) Provide a valid DUNS number in its application; and

(iii) Continue to maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by a Federal awarding agency.

USAID will not make a Federal award to an applicant until the applicant has complied with all applicable DUNS and SAM requirements and, if an applicant has not fully complied with the requirements by the time USAID is ready to make an award, USAID may determine that the applicant is not qualified to receive a Federal award and use that determination as a basis for making a Federal award to another applicant.

[4] Afghanistan, Bangladesh, Democratic Republic of the Congo, Ethiopia, Ghana, Guatemala, Haiti, India, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Nigeria, Pakistan, the Philippines, Rwanda, Senegal, South Sudan, Tanzania, Uganda, Yemen, Zambia.

[5] Benin, Burkina Faso, Cameroon, Guinea, Mauritania, Niger, Togo

If an organization does not submit a successful concept paper and is not invited to submit a full application in Round 1, that organization still may submit another concept paper in Round 2. It will again be evaluated by the same evaluation criteria specified in Section V; another submission in Round 2 does not guarantee a successful concept paper and invite to submit a full application.

SECTION IV: Concept Paper Submission Information

A. Overview

Concept papers received under this APS will be reviewed based on full and open competition and under the procedures and selection criteria identified in this APS. Competition under this APS will consist of a two-step process where applicants first submit a concept paper for an initial competitive review. All concept papers received will be evaluated by a USAID Merit Review Committee (MRC) for responsiveness to the specifications outlined in this APS. Applicants successful in the concept paper stage will then be requested by USAID to submit a full application in line with the content and format, which will be provided in greater detail by the Agreements Officer at that time. The full application will offer the applicant an opportunity to explain their technical approach in more detail.

All applicants to this APS will adhere to the following guidelines for the APS competition process. To facilitate the competitive review of the applications, USAID will consider only applications conforming to the format prescribed below.

Application Procedures

Application submission is a two-step process:

<u>Step 1:</u> In the first stage, all applicants are required to submit a **short technical concept paper** of no longer than eight (8) pages that is specific, complete, and concise. The concept paper should demonstrate the applicant's capabilities and expertise with respect to achieving the goals of this program as identified in Section III. The instructions for developing the concept paper are below. All concept papers should take into account the technical evaluation criteria found in Section V. The first round of concept paper applications must be submitted no later than the issuance date indicated on the cover letter accompanying this APS. If a second round of concept paper applications will be accepted, this APS will be amended to include that second round submission date. All concept papers received by the deadline will be evaluated by a USAID Merit Review Committee (MRC) for responsiveness to the criteria outlined in these guidelines and the application format. Concept papers that are submitted late or are incomplete will not be considered in the review process. All electronic submissions must be received by USAID by the deadline specified on the cover letter of this APS.

The MRC will review all applications in accordance with the Evaluation Criteria set forth in Section V, prepare a selection memorandum to document the review process, rank all applications reviewed, and based on these rankings will recommend that one or more applicants submit a full technical application (Step 2). The AO will make the final selection.

<u>Step 2:</u> Based on the recommendations of the MRC, successful applicants will be asked to submit a **full technical and cost application**. Technical comments provided by the MRC on the concept papers will guide the submission of the full application. The full application will also take into account the instructions from this section and the technical evaluation criteria found in Section V, in addition to application instructions and evaluation criteria to be sent to the successful applicants by the AO. The final selection for awards will be made by the AO, and based on the Step 2 review of applications and selections recommended by the MRC.

Short Technical Concept Paper Application Instructions

This section presents guidance for the structure of the short technical concept paper application.

Organizations that wish to be considered for funding must submit a concept paper. The concept paper must be written in English and must not exceed eight (8) pages (not including the cover sheet, summary budget, or attachments), using Times New Roman 12-point font, on standard 8.5” x 11” paper, and single spaced with no less than one inch margins and pages numbered consecutively. **Any submissions OVER EIGHT PAGES WILL NOT BE EVALUATED.** Annexes will not be counted in the page limit and must be restricted to the information requested below. Under 5 CFR 1320, the Paperwork Reduction Act, only the original and two copies of any application will be required.

The application for the short technical concept paper must be prepared according to the structural format set forth below.

1. **Cover page** (not more than one (1) page): The Cover Page must include APS number SOL-OAA-15-000054, name of the primary applicant, a list of proposed sub-grantees (if any), and the title of the application. In addition, the Cover Page must provide a contact person for the primary applicant including the individual’s name, title or position within the organization, mailing address, e-mail address, and telephone/fax numbers. Applicants must clearly state whether the identified contact person has the authority to negotiate on behalf of the applicant, and, if not, the contact information for the appropriate person with authority to negotiate must also be listed.

2. **Technical approach** (no more than four (4) pages): This section must address the program summary and selected results in Section II of this document and include:

    a. Project purpose/results and concise description of overarching strategy
    b. Project activities and outcomes
    c. Proposed duration of award
    d. Illustrative results

3. **Staffing and management** (maximum of one and a half (1-1/2) pages): The staffing and management plan will be presented through a visual representation, or organigram, of the proposed staffing plan and management relationships needed to implement the Technical Approach. The organigram should identify all personnel who will be involved in project implementation, their key responsibilities, and their level of effort. Project personnel should include the project director, key technical personnel who may act as deputy to the project director, and any other technical staff needed to achieve the intended results, especially regarding the cross-cutting areas of gender, youth, population-health-environment (PHE), and repositioning family planning. The organigram should also include lines of reporting and relationships between primary and sub-grantees.

    Applicant will specify number and types of key personnel positions, not to exceed three.

Qualifications for Project Director:

- Minimum 12 years of experience working in public health or the field that relates to the proposal's specific technical approach with at least three years' experience with managing policy, advocacy and/or communication projects.
- Master's degree or higher in public health, public policy, demography, communications, or related discipline.
- Knowledge of policy, advocacy, and communications methodology best practices and approaches
- Knowledge of USG policies, procedures, and reporting requirements
- Demonstrated results in strategically increasing both financial political commitment for family planning and population health issues.

Qualifications for Key Technical Personnel:

- Minimum eight years of experience working in public health or a field that relates to the proposal's specific technical approach.
- Master's degree or higher in public health, international health, international relations, social sciences, population-environment, or related discipline.
- Demonstrated technical leadership, and policy, advocacy and communications experience, in any of the cross-cutting issues (youth, gender, population-health-environment) that the applicant's proposal will address; and problem-solving skills working on complex projects in a highly-sensitive, fast-paced environment.

4. **Organizational capability** (maximum of one-half (1/2) page): This section will describe the organization's institutional capability to successfully complete proposed work, including the organization's institutional ability to address the requirements as indicated in Section II.

5. **Budget** (maximum of one (1) page) consisting of:

   a. Proposed estimated cost for duration of activity
   b. Brief cost breakdown (e.g. salaries, travel, etc.);
   c. Proposed cost sharing or matching (see 2 CFR 200.306 and ADS 303.3.10);

6. **Annexes** (not counted in page limit)

   a. Curriculum vitae for proposed key personnel
   b. Brief descriptions of qualifications for non-key personnel
   c. Relevant past performance information including recipient and key partner organizations, if applicable

Submit Concept Papers Electronically to:

Samantha Corey	Alisa J. Dunn
Agreement Specialist	Agreement Officer
scorey@usaid.gov	adunn@usaid.gov
202-567-4517	

USAID (SA-44)
301 4th Street SW, 5th Floor
Washington, DC 20024

In the event of technical difficulties, please contact Samantha Corey at the email address and/or phone number above.

SECTION V: Concept Paper Evaluation Criteria

Short technical concept papers received in response to this Annual Program Statement will be evaluated according to the following criteria (please note these criteria are listed in descending order of importance):

Technical understanding and approach (50 points total)

The proposed activities will likely achieve the desired outcomes based on the approach described and represent significant strides in the overall goal of including family planning and population issues in policies and programs and increasing political and financial commitments for FP/RH. The proposed methodology incorporates innovative and new techniques with high likelihood to increase political and financial commitments for health and population policies and programs. The methodology must also build upon best practices and lessons learned/developed by the applicant, other organizations, or USAID under similar programs. Additionally, the Applicant proposes specific and effective approaches to advance youth, gender, and equity and demonstrates how it will support one or more of GH/PRH's five focus areas.

Staffing and management (40 points total)

Applicant's staffing and management arrangements for implementation must be appropriate for this project. The applicant demonstrates clear lines of responsibilities, assigns clear roles and responsibilities relevant to the program description, and proposed non-key personnel possess the necessary skills and experience to carry out the proposed program. Finally, the Project Director and Key Technical Personnel demonstrate that they meet qualifications specified in Section IV.

Organizational capability (10 points)

Applicant and any key partner organizations demonstrate depth and breadth of experience and ability to carry out the implementation of program activities. Rationale for subawardees needs to be explained. This APS encourages partnering with local partners.

Budget

Once the technical review of applications is complete, USAID will independently evaluate the financial plan and cost-effectiveness of the organization's approach. The realism of budget estimates for proposed activities, the degree to which the budget allocation results in optimal use of program funds, and the cost reasonableness to implement the proposed program activities will all be considered in determining the best value to the U.S. Government.

Provide a one-page Summary Budget that clearly identifies the major costs by line items, such as personnel, travel, training, etc. Cost sharing of a minimum 10 percent is required. Please provide information on cost share as part of the budget.

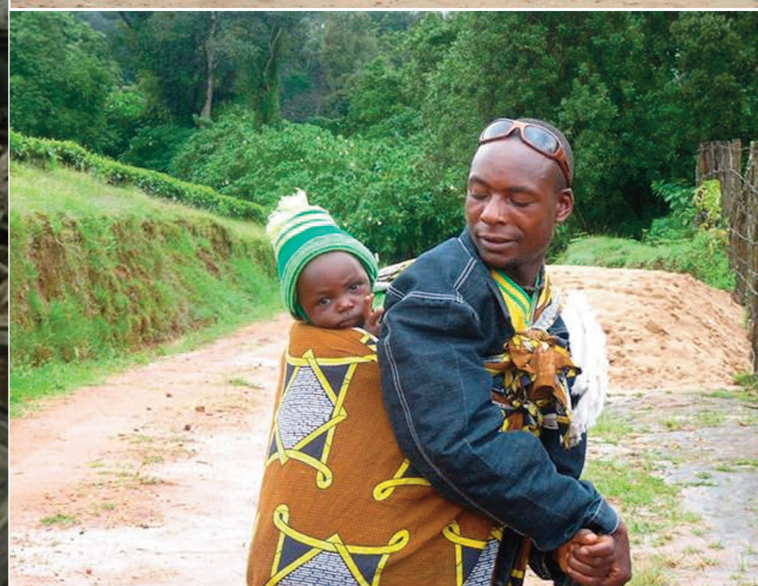
Reference Materials and Annexes

Applicants may provide brochures and/or other previously prepared material that describes the applicant's organization and proposed partners, operating history, membership and management structure. The reference materials and annexes must not exceed five (5) pages and are not considered as part of the concept paper page count of eight (8) pages (**Section IV**).

List of Appendices:

Appendix A: Gender Equality and Female Empowerment Policy, March 2012
Appendix B: Youth in Development Policy, October 2012
Appendix C: USAID Frontiers in Development – Ending Extreme Poverty, 2014

USAID
FROM THE AMERICAN PEOPLE



GENDER EQUALITY AND FEMALE EMPOWERMENT POLICY

USAID POLICY

MARCH 2012

"Achieving our objectives for global development will demand accelerated efforts to achieve gender equality and women's empowerment. Otherwise, peace and prosperity will have their own glass ceiling."

Hillary Clinton
JANUARY 2012

USAID

GENDER EQUALITY AND FEMALE EMPOWERMENT

POLICY

MARCH 2012

WASHINGTON, DC

Photo credits: Cover (clockwise from top left): West Bank and Gaza Mission: Technical, Vocational and Education Training Program/USAID; The Hunger Project; Unilever Tea Tanzania, Limited (UTTL); page 5, The Hunger Project; page 18, West Bank and Gaza Mission: Technical, Vocational and Education Training Program/USAID; page 20, Karen Homer/AWARD.

TABLE OF CONTENTS

MESSAGE FROM THE ADMINISTRATOR

I am pleased to share with you our newly updated policy on Gender Equality and Female Empowerment. Designed to enhance women's empowerment and reduce gender gaps, the policy affirms the critical role women play in accelerating progress in development and advancing global prosperity and security. As Secretary Clinton has said, "Gender equality is both the right thing to do and the smart thing to do."

The policy comes at a critical time as global efforts to reduce gender gaps have met only partial success. Across every development priority worldwide—from education to economic inclusion—gender inequality remains a significant challenge. Building on the Agency's decades of experience, the new policy provides guidance on pursuing more effective, evidence-based investments in gender equality and female empowerment and incorporating these efforts into our core development programming. Ultimately, this integration is critical to achieving better results in development.

Under this policy, we place a strong emphasis on building high-impact partnerships, harnessing the power of innovation and conducting rigorous program evaluation to deliver meaningful results. We will remain focused on protecting women and men from violence and abuse, as well as increasing the participation of women at all levels of decision-making, especially during peace processes and post-conflict reconstruction. Finally, we must ensure that the composition of our own Agency reflects our principles, creating a work environment that empowers and rewards women and men fully and equitably.

Already, we have established a solid foundation to accelerate progress. We have strengthened requirements to ensure that every strategy and project is shaped by a gender analysis and establishes common indicators for judging our success. Driving this agenda forward, USAID's Senior Coordinator for Gender Equality and Women's Empowerment is working closely with the Senior Gender Advisor in the Bureau for Policy, Planning and Learning, the re-invigorated Office of Gender Equality and Women's Empowerment, and gender advisors in Washington and field missions.

We know that long-term, sustainable development will only be possible when women and men enjoy equal opportunity to rise to their potential. But today, women and girls continue to face disadvantages in every sector in which we work, and—in other cases—boys are falling behind. With this policy, we can ensure our values and commitments are reflected in durable, meaningful results for all. I look forward to working with all of you to ensure an enduring and substantial commitment to gender equality and female empowerment.

Rajiv Shah
March 2012

EXECUTIVE SUMMARY

Gender equality and female empowerment are core development objectives, fundamental for the realization of human rights and key to effective and sustainable development outcomes. No society can develop successfully without providing equitable opportunities, resources, and life prospects for males and females so that they can shape their own lives and contribute to their families and communities. Although many gender gaps have narrowed over the past two decades, substantial inequalities remain across all sectors in which USAID works, particularly in low-income and conflict-affected countries and among disadvantaged groups.

USAID has a long history of supporting programming to increase gender equality. Over the past two years alone, changes to the Automated Directives System (ADS), revised technical competencies required for Foreign Service backstops, new definitions of gender issues for budget attribution, new senior positions devoted exclusively to gender equality and female empowerment, and new common indicators to measure progress in this arena have strengthened the Agency's ability to address key gender issues and track our progress in doing so. Still, an updated Agency policy on gender equality and female empowerment is needed to reflect fundamental changes in the world and the evidence that has accumulated since the 1982 Policy Paper on Women in Development was issued. This new policy on Gender Equality and Female Empowerment builds on the Agency's progress to date.

The goal of this policy is to improve the lives of citizens around the world by advancing equality between females and males, and empowering women and girls to participate fully in and benefit from the development of their societies. It will be addressed through integration of gender equality and female empowerment throughout the Agency's Program Cycle and related processes: in strategic planning, project design and implementation, and monitoring and evaluation. This integrated approach positions the Agency to address gender gaps and the constraints that hold women back.

Under this policy, USAID investments are aimed at three overarching outcomes. In strategic planning at the country or project level, these outcomes will be adapted and translated into specific results with associated targets and indicators. These outcomes, which are especially important for people who are marginalized or excluded due to ethnicity, gender identity, sexual orientation, lack of income, disability or other factors, reflect the gamut of activities that USAID undertakes across multiple sectors and fields:

- Reduce gender disparities in access to, control over and benefit from resources, wealth, opportunities and services - economic, social, political, and cultural;
- Reduce gender-based violence and mitigate its harmful effects on individuals and communities; and
- Increase capability of women and girls to realize their rights, determine their life outcomes, and influence decision-making in households, communities, and societies.

Seven guiding principles underpin this policy, reflecting key features of the USAID Policy Framework 2011-2015 and the parameters of the *USAID Forward* reform agenda:

- ***Integrate gender equality and female empowerment into USAID's work:*** This policy will be implemented by integrating approaches and actions to advance gender equality and female empowerment throughout the Agency's Program Cycle. USAID will also make strategic investments to promote gender equality and female empowerment.

- ***Pursue an inclusive approach to foster equality:*** This policy is inclusive of all women and men, girls and boys, regardless of age, sexual orientation, gender identity, disability status, religion, ethnicity, socioeconomic status, geographic area, migratory status, forced displacement or HIV/AIDS status.

- ***Build partnerships across a wide range of stakeholders:*** USAID will partner with host governments, civil society, the private sector and other donors to ensure that our efforts are coordinated and non-duplicative, build on the skills and initiatives of local actors, and reflect country priorities.

- ***Harness science, technology, and innovation to reduce gender gaps and empower women and girls:*** USAID investments should make bold and imaginative use of new technologies to change discriminatory social norms and stereotypes, and empower women and girls to wield greater influence in society.

- ***Address the unique challenges in crisis and conflict-affected environments:*** USAID's work in conflict-affected and fragile states should promote women's participation in all efforts to prevent, resolve and rebuild following conflict; prevent and respond to sexual and gender based violence; and ensure that relief and recovery efforts address the different needs and priorities of women and men.

- ***Serve as a thought-leader and a learning community:*** The Agency will measure performance in closing key gender gaps and empowering women and girls, learn from successes and failures and disseminate best practices on gender integration throughout the Agency.

- ***Hold ourselves accountable:*** Gender equality and female empowerment is a shared Agency responsibility and depends on the contribution and collective commitment of all staff, with particular emphasis on senior managers and Mission Directors.

This policy applies to all bureaus and missions and covers policy and programmatic operations in Washington and the field. The policy includes detailed descriptions of organizational roles and responsibilities to institutionalize the policy in missions, regional bureaus, pillar bureaus, the Office of Gender Equality and Women's Empowerment, the Office of Acquisition and Assistance, the Office of Human Resources, the Bureau for Policy, Planning and Learning, and the Office of the Administrator. The release of the policy will be followed by Frequently Asked Questions and Implementation Guidance, including a timetable for phasing in the requirements over the next two years. Implementation of the policy will be evaluated in 2015.

Realization of this policy by all Agency staff and in all of the countries in which we work will help to bring to fruition USAID's development vision of a world in which women and men, girls and boys enjoy economic, social, cultural, civil, and political rights and are equally empowered to secure better lives for themselves, their families, and their communities.

1 INTRODUCTION

Gender equality and female empowerment are now universally recognized as core development objectives, fundamental for the realization of human rights, and key to effective and sustainable development outcomes.[1]

No society can develop sustainably without increasing and transforming the distribution of opportunities, resources, and choices for males and females so that they have equal power to shape their own lives and contribute to their communities. A growing body of research demonstrates that societies with greater gender equality experience faster economic growth, and benefit from greater agricultural productivity and improved food security. Empowering women to participate in and lead public and private institutions makes these institutions more representative and effective. Increasing girls' and women's education and access to resources improves the health and education of the next generation. Women also play critical roles as effective peace advocates, community leaders, and champions of civil and human rights.

The 2010 Quadrennial Diplomacy and Development Review (QDDR), prepared jointly by the State Department and USAID, placed women at the center of U.S. diplomacy and development — not simply as beneficiaries, but also as agents of peace, reconciliation, development, growth, and stability. The first operational principle in the USAID Policy Framework 2011-2015 is "Promote Gender Equality and Female Empowerment." This policy on Gender Equality and

BOX 1: DEFINITIONS

Gender equality[2] concerns women and men, and it involves working with men and boys, women and girls to bring about changes in attitudes, behaviors, roles and responsibilities at home, in the workplace, and in the community. Genuine equality means more than parity in numbers or laws on the books; it means expanding freedoms and improving overall quality of life so that equality is achieved without sacrificing gains for males or females.

Female empowerment[3] is achieved when women and girls acquire the power to act freely, exercise their rights, and fulfill their potential as full and equal members of society. While empowerment often comes from within, and individuals empower themselves, cultures, societies, and institutions create conditions that facilitate or undermine the possibilities for empowerment.

Gender integration involves identifying, and then addressing, gender inequalities during strategy and project design, implementation, and monitoring and evaluation. Since the roles and power relations between men and women affect how an activity is implemented, it is essential that project managers address these issues on an ongoing basis.

[1] These commitments have been codified in the Beijing Platform for Action signed in 1995 at the Fourth World Conference on Women in Beijing, China, the Millennium Development Goals adopted by 189 governments in 2000, UN Security Council Resolution 1325 on Women, Peace, and Security (as well as subsequent related resolutions 1820, 1888, 1889, and 1960) and embodied in the Universal Declaration of Human Rights, among myriad other international treaties and declarations.
[2] Sex is the classification of people as male or female. At birth, infants are assigned a sex based on a combination of bodily characteristics including: chromosomes, hormones, internal reproductive organs and genitalia. *Gender* is the socially-defined set of roles, rights, responsibilities, entitlements, and obligations of females and males in societies. The social definitions of what it means to be female or male vary among cultures and change over time. *Gender Identity* is an individual's internal, personal sense of being male or female. For transgender people, their birth-assigned sex and their own internal sense of gender identity do not match.
[3] This policy deliberately uses the term "female" empowerment, as opposed to women's empowerment, to capture girls and adolescents. This differs from the organizational titles of USAID's Office of Gender Equality and Women's Empowerment, some Position Descriptions and usage in other USAID program and budget documents.

Female Empowerment seeks to codify and operationalize these principles across USAID policies and practices.

USAID's Experience Addressing Gender Equality and Female Empowerment

While USAID has a long history of addressing women's issues in development, accomplishments have been mixed and the intensity of the focus on gender issues has varied over time. In 1974, soon after passage of the 1973 Percy Amendment to the Foreign Assistance Act, USAID established the Women in Development (WID) Office to assist USAID missions and regional bureaus in integrating women into their various development projects.[4] A "Women in Development" Policy Paper was issued in 1982. It was supplemented in 1996 by a Gender Plan of Action (GPA) that included requirements for gender integration in policy, personnel, procurement, performance monitoring, and evaluation. An evaluation of the Plan in 2000 by the Advisory Committee on Voluntary Foreign Assistance (ACVFA) found a number of obstacles to effective institutionalization of the GPA, including large budget cuts coupled with expanding budget earmarks, disruptions caused by reorganization of U.S. foreign assistance agencies, low levels of consultation and communication about the Plan with Agency staff, and concern over proliferation of Agency priorities, among others.

Although few analyses have been carried out that allow for precise quantification of progress, one such analysis[5] revealed modest increases in the extent to which gender issues were integrated into country strategies over the period 1996-2005 and into procurement solicitations from May 2006 to February 2007. A second analysis of procurements[6] documented an improvement in the percentage of solicitations issued in 2010 that were scored as "moderate" to "thorough" on gender integration, as compared to 2006/7, and a decrease in the percentage of solicitations over the same time period that received the lowest possible score ("minimal").

Recently, greater progress has been made in integrating gender issues into Agency strategies, programs and procedures. In 2009, USAID revised its Automated Directives System (ADS), which contains Agency policy directives and mandatory procedures, to establish a more comprehensive approach to gender integration. Gender analysis is one of only two mandatory analysis requirements that are to be integrated in strategic planning, project design and approval, procurement processes, and measurement and evaluation. In 2011, the Agency reviewed and revised the technical competencies for different Foreign Service backstops to ensure that they reflect the knowledge, skills, and abilities that will be needed by technical officers to effectively address gender issues in their work. The Agency also introduced new definitions of gender issues for budget attributions in Operational Plans, along with a set of common indicators designed to

BOX 2: FOSTERING WOMEN'S LEADERSHIP

In 2011, USAID significantly expanded efforts to support women's leadership in several fields. Anticipating release of the U.S. National Action Plan on Women, Peace and Security, USAID provided financial support to meet the training, transportation, and security needs of female negotiators, and allocated funds to support the inclusion of women in high level decision-making processes, including formal peace negotiations, donor conferences, and transitional political processes. Complementary programs were created to cultivate women leaders in business, academia, and research; strengthen the skills of female legislators and legislative branch staff; foster women's leadership within social protection; and elevate women's leadership in the small- and medium-sized enterprise sector.

[4]The Percy Amendment, which is still in effect, requires U.S. bilateral assistance programs to enhance the integration of women into the national economies of developing countries, and instructs the State Department to consider progress on women's issues when making decisions about funding international organizations.
[5]DevTech, *Measuring Gender Integration in USAID Planning and Procurement,"* July 2007 (unpublished).
[6]DevTech, *Measuring Gender Integration in USAID Solicitation Documents Issued in 2010*, February 2011 (unpublished).

assess progress toward increasing gender equality and female empowerment (see Box 6). The Office of the Administrator and the Bureau for Policy, Planning and Learning (PPL) created two senior positions devoted exclusively to gender equality and female empowerment; the Office of Gender Equality and Women's Empowerment was renamed and upgraded; and the Bureau of Democracy, Conflict, and Humanitarian Assistance (DCHA) created a Center of Excellence on Democracy, Human Rights, and Governance with a particular focus on gender equality and women's rights. Finally, missions and offices began to scale up programs that work - expand coverage and access to medical and psychosocial care, legal assistance, and income generating activities for gender-based violence (GBV) survivors in the Democratic Republic of the Congo, and extend Safe Schools, an innovative program to reduce school-related gender-based violence, to the Dominican Republic, Senegal, Yemen, and Tajikistan, among others.

For these efforts to be accelerated and sustained, USAID needs a coherent, relevant, and up-to-date Agency policy on gender equality and female empowerment. The world has changed considerably since 1982, and the literature and field experience related to closing gender gaps has substantially expanded. This new policy on Gender Equality and Female Empowerment builds on this evidence base and the best practices of USAID and other donors, and provides an overarching framework for gender integration throughout all aspects of our work.

2 A GLOBAL SNAPSHOT OF GENDER EQUALITY AND FEMALE EMPOWERMENT IN 2012

A large body of evidence has established that gender inequality has costs for individuals and societies and these costs can multiply across generations.[7] For instance, women's economic dependency on men reduces their ability to exercise safer sex options to protect themselves against unwanted pregnancies and HIV infection.[8] When women cannot participate in the labor force, are prevented by law or practice from entering certain occupations, or excluded from management positions, GDP growth can suffer by as much as two percent.[9] Conversely, gender equality not only benefits individual males and females but whole sectors and societies. For instance, the Food and Agriculture Organization of the United Nations (FAO) estimates that if women had the same access to productive resources as men, they could increase yields on their farms by 20 to 30 percent, which in turn could raise total agricultural output in developing countries by 2.5 to 4 percent and reduce the number of hungry people in the world by 12 to 17 percent, up to 150 million people.[10]

Great strides have been made to reduce gender gaps and improve the status of women and girls over the past three decades. Yet, significant gender gaps remain across sectors in all countries around the world; they are often greater among the poor. Historically, gender inequalities have disadvantaged females, and while that remains the case in many domains, gender norms and policies also negatively affect boys and men in specific regions and sectors.

Education

Gender gaps in primary education have closed in the vast majority of developing countries since 2000. Progress has been particularly notable at the primary school level in the Arab States, South and West Asia and sub-Saharan Africa – the regions with the largest gender gaps in 2000. Still, in 2012, South Asia and West Africa continue to have large gender gaps that disfavor girls in primary education. In Afghanistan, Chad, and the Central African Republic, for instance, fewer than 70 girls per 100 boys are enrolled in primary school. On the other hand, boys are less likely to complete primary education than girls in 24 countries, including Lesotho, Nicaragua, Suriname, Namibia, Bangladesh, and Bhutan.

Progress is less evident at the secondary level: gender parity has not improved in sub-Saharan Africa or in the Arab States. In contrast, in many countries in Latin America and the Caribbean and Europe and Eurasia, girls have had higher attendance at secondary schools than boys since the mid-1980s. In countries in other regions, such as sub-Saharan Africa and South Asia, girls are often more likely to drop out of secondary school even when they have completed primary education.[11]

Progress in school entry has not been accompanied by changes in other domains. Fields of study, for instance, still tend to be segregated by sex, with more males choosing or being encouraged to pursue higher status and better paid careers in science, technology, and engineering while females predominate in the lower paying education, health care and social service professions.

Mortality and Reproductive Health

Over the past 30 years, huge strides have been made, particularly in life expectancy, fertility, and mortality. However, gender inequality continues to have a negative impact on a range of

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[7]The World Bank, *World Development Report 2012: Gender Equality and Development*, (Washington, DC: The World Bank, 2011); online at http://siteresources.worldbank.org/INTWDR2012/Resources/7778105-1299699968583/7786210-1315936222006/Complete-Report.pdf.

[8]Ellen Weiss, Daniel Whelan, and Geeta Rao Gupta, "Gender, Sexuality and HIV: Making a Difference in the Lives of Young Women in Developing Countries." *Sexual and Relationship Therapy* 15(3) (2000): 233-245.

[9]The World Bank. *op cit.*

[10]Hafez Ghanem, *The State of Food and Agriculture 2010-11: Women in Agriculture: Closing the Gender Gap for Development*. (Rome: The Food and Agricultural Organization, 2011).

[11]UNESCO, *EFA Global Monitoring Report 2011: The Hidden Crisis: Armed Conflict and Education.* (Paris: UNESCO, 2011).

health issues. Gender-related power imbalances contribute to excess female mortality across the life cycle: at birth, during infancy and early childhood, and throughout the reproductive years. Harmful gender norms affect men and boys by encouraging risk-taking and by limiting their health-seeking behavior. In Russia, Ukraine, and other countries in Eurasia, the life expectancy of men has been dramatically reduced by substance abuse and other risky behaviors.

Although the reproductive health of women and girls has improved over the past few decades, more than 127 million women in sub-Saharan Africa and South Central Asia in 2010 still have an unmet need for modern contraceptives (215 million across all developing countries). Taking into account projected population growth, this number will increase to 176 million in the next two decades if concerns about the availability of contraceptive methods are not addressed.[12] Adolescent fertility rates also remain high; young women have higher unmet need for contraception and higher chances than older women of suffering from complications at birth. Maternal mortality is especially high in sub-Saharan Africa and parts of Asia, owing mainly to a failure to provide adequate family planning and maternity care to childbearing women. Maternal deaths in developing countries could be reduced by 70 percent, and newborn deaths cut nearly in half, if the world doubled its investment in family planning and maternal and newborn health care.[13]

Women are more vulnerable than men to sexually transmitted infections, particularly HIV/AIDS. Unequal gender norms often prevent men and women from seeking HIV testing, counseling, and treatment, as well as disclosing their HIV status. Today, women and girls make up almost half the infected population ages 15–49 worldwide; in sub-Saharan Africa the rate is close to 60 percent. The persistence of gender-based violence contributes to women's increased risk and vulnerability.

Gender-Based Violence

A range of evidence points to the high global prevalence of gender based violence (GBV) which in the broadest definition is violence directed at an individual based on his or her biological sex, gender identity, or perceived adherence to socially defined norms of masculinity and femininity.[14] GBV is a constraint to individual and societal development and has high human and economic costs. For instance, women who experience violence from their partners are less likely to earn a living and less able to care for their children. Children who witness violence are significantly more at risk for health problems, anxiety disorders, poor school performance and violent behavior. The economic effects of violence against women include increased absenteeism; decreased labor market participation; reduced productivity; lower earnings, investment, and savings; and lower intergenerational productivity.[15]

Population-based prevalence data for one form of GBV - intimate partner violence - now exists for more than 90 countries, although there are still some regions, such as the Middle East and West Africa, where data is relatively limited. The prevalence of physical or sexual violence experienced by women varies widely across countries. A ten-country study using Demographic and Health Survey (DHS) data of ever-married women reporting spousal/intimate partner violence shows rates ranging from 48 percent in Zambia, 44 percent in Colombia, and 42 percent in Peru, to 18 percent in Cambodia, 19 percent in India, and 22 percent in the Dominican Republic.[16] Intimate partner violence cuts across socioeconomic, religious, and ethnic groups and across geographic areas, but women living in poverty, women with disabilities, and adolescent girls are especially vulnerable.[17] At least 2 million girls are at risk of Female Genital Mutilation (FGM) each year in at least 28 countries, primarily in sub-Saharan Africa, but also northern Iraq, Malaysia, and Indonesia, exposing them to a wide range of health risks from incontinence to increased risk of childbirth complications and

[12] United Nations Population Division, *World Population Prospects, 2010 Revision*, (New York: United Nations Population Division, 2010).

[13] Susheela Singh et al., *Adding it Up: The Costs and Benefits of Investing in Family Planning and Maternal and Newborn Health* (New York: Guttmacher Institute and UNFPA, 2009).

[14] Gender-based violence includes physical, sexual, and psychological abuse; threats; coercion; arbitrary deprivation of liberty; and economic deprivation, whether in public or private life. Types of GBV include female infanticide; harmful traditional practices such as early and forced marriage, "honor" killings, and female genital cutting; child sexual abuse and slavery; trafficking in persons; sexual coercion and abuse; neglect; violence against lesbian, gay, bisexual, and transgender individuals; domestic violence; and elder abuse. It can occur throughout the lifecycle, from the prenatal phase through childhood and adolescence, the reproductive years, and old age (Claudia Garcia-Moreno et al., "Prevalence of Intimate Partner Violence: Findings from the WHO Multi-Country Study on Women's Health and Domestic Violence," *The Lancet* 368 (2006): 1260–69).

[15] Andrew Morrison and Maria Beatriz Orlando, *The Costs and Impacts of Gender-Based Violence in Developing Countries: Methodological Considerations and New Evidence* (Washington, DC: The World Bank, November 2004).

[16] Michelle Hindin, Sunita Kishor, and Donna Ansara, *Intimate Partner Violence among Couples in 10 DHS Countries: Predictors and Health Outcomes, DHS Analytical Studies 18* (Washington, DC: USAID, December 2008). Accurate statistical data on the prevalence of gender-based violence are difficult to obtain because of underreporting by victims and underrecording by police, which also mean that existing evidence most likely underestimates prevalence.

[17] Charlotte Watts and Cathy Zimmerman, "Violence against Women: Global Scope and Magnitude," *The Lancet* 359 (2002): 1121-37.

newborn deaths.[18] While GBV disproportionately affects women and girls, men and boys also experience sexual violence, increasingly documented in conflict countries,[19] and especially when their gender identity conflicts with gender norms.

Paid Employment and Asset Ownership

Women's participation in the paid labor force in developing countries has grown in the past 30 years as expanding economic opportunities and economic necessity have drawn many female workers into the market. Countries that had low rates of female participation in 1980 – for instance in Latin America and the Caribbean and North Africa – saw dramatic increases. Female participation rates are greater than 50 percent in sub-Saharan Africa, East Asia and the Pacific, and Latin America and the Caribbean. The Middle East and North Africa and South Asia have the lowest female labor force participation rates.

Increased participation has not translated into equal employment opportunities or equal earnings for men and women. Women and men tend to work in very different parts of the economy with little change over time, even in higher income countries. In almost all countries, women are more likely than men to engage in low-productivity and labor-intensive activities. They are also more likely to be in unpaid family employment or work in the informal wage sector. In agriculture, especially in Africa, women operate smaller plots of land and farm less remunerative crops. Across all regions, as entrepreneurs, women tend to own and manage smaller firms (measured by sales, employment, and assets) and to concentrate in less-profitable sectors. As a result of these differences, gender gaps in earnings and productivity persist across sectors and forms of economic activity, including wage employment and entrepreneurship.[20]

Although country-level data is limited, women in developing countries are far less likely than men to own or control key productive assets like land and housing. Researchers in 2003 found that women represented only one-third or less of landowners in the five Latin American countries they examined.[21] In the Europe and Eurasia region, land privatization schemes after the fall of communism resulted in many more men than women being granted titles to land. More recently, the World Bank's *World Development Report 2012* cites data from 16 countries in 5 developing regions showing that female-headed households are far less likely to own land. And across all developing regions, female land holdings are systematically smaller than male landholdings, and the mean value of men's landholdings is substantially larger than that of women's, controlling for socioeconomic and other factors.

Demographic Shifts and Time Use

Women's increased participation in paid employment and public life has a number of implications for time use and care of dependents. Around the world, women devote more time each day to housework and care of children, the elderly, the disabled, and other dependents than their male partners; differences range from 1 to 3 hours more for housework and 2 to 10 times more time for care of children, the elderly, and the sick, leaving women and girls with 1 to 4 hours less time each day than men and boys for market or other productive activities.[22] Even as women have entered the paid labor force, they remain largely responsible for care and housework. These patterns are accentuated after marriage and childbearing.

In addition, declining mortality rates are likely to exacerbate these pressures on women. Unlike in developed countries, where social security, elderly day care, housing for the elderly, and comprehensive medical care help the elderly live a more independent lifestyle, similar services do not exist in most developing countries. This implies that, unless gender norms change and unpaid work is reduced and redistributed between men and women, more and more females in the developing world will be expected to care for aging parents in addition to their child care and income-earning responsibilities.

Participation, Governance, and Legal Rights

Women's representation in national legislatures and local governments has increased during the past two decades. For example, women's share of seats in national legislatures

[18]The prevalence of FGM varies significantly from country to country, from nearly 98 percent in Somalia to less than one percent in Uganda. New evidence shows prevalence in other countries including Yemen, Iran, Syria, Oman, and Saudi Arabia. See World Health Organization, *Female Genital Mutilation,* (Geneva: World Health Organization, February 2010). Online at www.who.int/mediacentre/factsheets/fs241/en/index.html.

[19]Kiersten Johnson et al., "Association of Sexual Violence and Human Rights Violations with Physical and Mental Health in Territories of the Eastern Democratic of the Congo," *JAMA* 304(5) (2010).

[20]In almost all countries, women in manufacturing earn less than men. In agriculture, farms operated by women on average have lower yields than those operated by men, even for men and women in the same households and for men and women cultivating the same crops. Female entrepreneurs are also less productive than male entrepreneurs because of industry/occupational segregation and lower access to credit and productive inputs, and not because they are inherently less efficient.

[21]Carmen Diana Deere and Magdalena León, "The Gender Asset Gap: Land in Latin America," *World Development* 31(6) (2003): 925-47.

[22]World Bank *op cit.*

increased from 10 percent to 17 percent worldwide between 1995 and 2009, and all but 1 of the 10 countries without women's suffrage in 1980 have since granted women the right to vote. Still, in 2011, women held only 19.4 percent of the seats in lower and upper houses of parliaments globally.[23] To redress imbalances, 104 countries currently have provisions to promote women's representation in legislatures at the national or sub-national level; for instance India, Bangladesh, Pakistan and Nepal reserve 33 percent of legislative seats for women at the municipal and district levels. Women also remain considerably underrepresented in other political bodies, holding less than one-fifth of all cabinet positions worldwide. Furthermore, despite numeric gains, the quality of women's participation in political affairs is often lacking due to a variety of constraints including lower levels of political experience and access to mentoring.

Research has found that higher numbers of women in legislative bodies increases the attention to gender equality in legislation and budgets.[24] Nonetheless, in many countries, key areas of women's rights are neither recognized nor protected; for instance, in parts of sub-Saharan Africa, South Asia, and the Middle East, women lack independent rights to own land, manage property, conduct business or even travel without their husband's consent.[24] Although many countries have taken steps to reform marital and property rights laws, the implementation and enforcement of new legislation is inconsistent.

In the realm of peace-building, women are severely marginalized. In major peace processes since 1992, women constituted fewer than 3 percent of mediators and 8 percent of negotiators, numbers that have not markedly improved since the passage over a decade ago of the landmark UN Security Council Resolution 1325 recognizing the central role of women in conflict prevention, peace processes and peacebuilding. Furthermore, women are a similarly limited share of the participants in decision-making forums related to transition planning and post-conflict reconstruction such as donor conferences convened to allocate resources for post-conflict recovery.

Crisis, Conflict and Natural Disasters

As the nature of crises and conflicts have changed over the past decades so too have the roles of men and women and the ways they are affected. Forced displacement exposes refugees and internally-displaced persons, especially women and girls, to additional risks and exploitation. Violence against women, especially rape, sexual assault, abduction, mutilation, forced prostitution and sexual slavery, is a facet of many recent conflicts from the Balkans to sub-Saharan Africa, the Middle East and Central Asia.[25]

Unfortunately, post-conflict peacebuilding, recovery, and disarmament, demobilization and reintegration (DDR) programs do not always recognize the complex roles females and males play during conflict, as combatants, forced laborers, and sex slaves. Following conflict, a narrow set of stakeholders usually shapes, implements and is served by post-conflict recovery programs. For example, DDR programs often fail to differentiate between the needs of male and female combatants in their design. They also tend to underestimate and underserve boys and girls who were child soldiers. Moreover, critical issues are often overlooked; for example, of 300 ceasefire accords, power-sharing arrangements and other peace agreements negotiated since 1989, just 18 of them – only 6 percent – contain even a passing reference to sexual violence. The growth of women's participation in peace processes and post-conflict transitions in countries ranging from Kosovo to Liberia is helping to ensure that peace agreements and reconstruction address more comprehensively the issues that need to be resolved to achieve lasting and just peace.[26]

During and following natural disasters, women and girls often suffer disproportionately due to socially-constructed norms, breakdowns in law and order, or disrupted livelihoods due to displacement. For example, up to four times as many females as males were killed in the 2004 Indian Ocean tsunami due to gender norms, such as women and girls' traditionally not being taught how to swim. Following the 2010 Haiti earthquake, human trafficking of women and girls increased dramatically while sexual assaults in relief camps posed a significant problem.

[23]Inter-Parliamentary Union, accessed January 2012, http://www.ipu.org/wmn-e/world.htm. For comparison, women held only 16.8 percent of seats in the U.S. Congress in 2011.
[24]Raghabendra Chattopadhyay and Esther Duflo, "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India." *Econometrica* 72 (5) (2004): 1409–43.
[25]Donald Steinberg, "Women and War: An Agenda for Action" in *Women and War: Power and Protection in the 21st Century,* ed. Kuehnast et al., (Washington, DC: US Institute for Peace, 2011).
[26]United States National Action Plan on Women, Peace, and Security, 2011.

3 USAID'S VISION AND GOAL

USAID's development vision is a world in which women and men, girls and boys enjoy economic, social, cultural, civil, and political rights and are equally empowered to secure better lives for themselves, their families, and their communities; are equally able to access quality education and health-care; accumulate and control their own economic assets and resources; exercise their own voice, and live free from intimidation, harassment, discrimination, and violence. Responsibilities for earning income and the care of family members are not restricted by the roles or stereotypes society has defined for males and females. Women and men, girls and boys treat each other with mutual respect and dignity and participate freely and equally in economic and political decision-making at the regional, national and local levels. Women's and girls' unique expertise, initiatives, leadership, and contributions are recognized and supported by individuals and governments, leading to their economic, social, and political empowerment.

USAID seeks to improve the lives of citizens around the world by advancing equality between women and girls and men and boys, and empowering women and girls to participate fully in and benefit from the development of their societies.

4 OUTCOMES

USAID investments are aimed at achieving three overarching outcomes for all people. These outcomes are especially important for males and females who are marginalized or excluded due to ethnicity, gender identity, sexual orientation, lack of income, disability, or other factors. They reflect the gamut of activities that USAID can undertake across multiple sectors and fields to achieve the goal of this policy:

Reduce gender disparities in access to, control over and benefit from resources, wealth, opportunities, and services – economic, social, political, and cultural.

Reduce gender-based violence and mitigate its harmful effects on individuals and communities, so that all people can live healthy and productive lives.

Increase capability of women and girls to realize their rights, determine their life outcomes, and influence decision-making in households, communities, and societies.

These outcomes are deliberately set at a general level. However, in strategic planning and project design at the country or sub-national level, they should be adapted into specific results that have associated targets and indicators for tracking progress. For instance, in a food security strategy, the first outcome could be operationalized as "Reduce the gap between female and male farmers' access to productive inputs and services (credit, seeds, new technology, and agricultural extension) by 25 percent." Indicators like the Women's Empowerment in Agriculture Index should be used to track progress toward this specific result in different country contexts. Further discussion of these options will be provided in forthcoming Implementation Guidance.

5 OPERATIONAL PRINCIPLES OF THE GENDER EQUALITY AND FEMALE EMPOWERMENT POLICY

The following principles underpin USAID's commitment to empowerment, protection, and participation of males and females in their societies.[27] They also reflect the principles in USAID Policy Framework 2011-2015, draw on the reform agenda identified in *USAID Forward*, are consistent with key points made in the QDDR, and were developed in conjunction with other related USAID policies, specifically the 2012 Counter-Trafficking in Persons Policy and forthcoming Youth in Development Policy (see Box 3).

Integrate gender equality and female empowerment into USAID's work: This policy will be implemented by integrating approaches and actions to advance gender equality and female empowerment throughout the Program Cycle — in Agency-level policy and strategy formulation; Country Development Cooperation Strategies (CDCS); project design and implementation; and monitoring, evaluation, and learning.

The identification of specific gender equality and female empowerment results to be achieved is based on the findings of gender analyses, which are mandated by the ADS for country strategies and projects (see Box 4), and by other relevant analyses that may be used in the context of strategic planning and programming. Gender equality and empowerment of women and girls cannot be achieved without considering the socio-cultural context in which males and females live. Working with men and boys to understand the importance of girls' education, and women's employment and career aspirations, for example, is fundamental to bringing about sustainable and transformational social change. At the same time, men and boys are faced with different challenges and vulnerabilities imposed on them by rigid definitions of masculinity. Societal expectations narrow male roles so working with men and boys to reframe broader definitions of masculinity can expand their own range of

BOX 3:
USAID POLICIES ON COUNTER-TRAFFICKING IN PERSONS AND YOUTH IN DEVELOPMENT

Trafficking in Persons (TIP) is a crime that involves either sex or labor exploitation, or both. At its essence, TIP is about people being bought and sold as property. Estimates in 2010 of the number of people enslaved in sex or labor exploitation range from 12 to 27 million. Trafficking can impede efforts to improve health, to increase economic growth, to achieve gender equality and women's empowerment, and poses a threat to lifetime prospects for youth. USAID's new Counter-Trafficking in Persons Policy empowers the Agency to redouble efforts to remain a thought and action leader working towards a world in which human beings are no longer bought and sold.

In 2012, USAID is also adopting a new Youth in Development Policy that outlines how USAID can strategically support, protect, prepare, and engage young people in achieving development outcomes. The Youth in Development and Gender Equality and Female Empowerment policies are closely aligned in recognizing that gender norms determine the way households allocate resources to sons and daughters, through decisions about boys' or girls' education, where they work, and how they spend their time. A large body of evidence shows that intervening early in key areas – to raise the age of marriage, provide HIV/AIDS information and services, and reduce gender-based violence – can have long-term payoffs for girls, their households, and broader communities.

[27]USAID is also "walking the walk" by ensuring that women are recruited for entry into the Civil and Foreign Service, empowered to contribute fully to our development mission, given opportunities through mentorships, treated fairly in the promotion/evaluation/assignment processes, and challenged to lead our Agency.

BOX 4: GENDER ANALYSIS

The ADS requires staff to conduct a gender analysis in the design of country strategies and projects, which must in turn be reflected in associated project appraisal documents, Statements of Work (SOWs)/Program Descriptions and Requests for Applications (RFAs)/Requests for Proposals (RFPs). Gender analysis is a tool for examining the differences between the roles that women and men play in communities and societies, the different levels of power they hold, their differing needs, constraints and opportunities, and the impact of these differences on their lives.

At the strategy and project level, the gender analysis should identify root causes of existing gender inequalities or obstacles to female empowerment in that context so that USAID can proactively address them in the project design and seek out opportunities to promote women's leadership and participation. The gender analysis should also identify potential adverse impacts and/or risks of gender-based exclusion that could result from planned activities, including: (a) Displacing women from access to resources or assets; (b) Increasing the unpaid work or caregiver burden of females relative to males; (c) Conditions that restrict the participation of women or men in project activities and benefits based on pregnancy, maternity/paternity leave, or marital status; (d) Increasing the risk of gender-based violence, including sexual exploitation or human trafficking, sexually transmitted diseases, and HIV/AIDS; and (e) Marginalizing or excluding women in political and governance processes. Because males and females are not homogenous groups, gender analysis should also to the extent possible disaggregate by income, region, caste, race, ethnicity, disability, and other relevant social characteristics and explicitly recognize the specific needs of young girls and boys, adolescent girls and boys, adult women and men, and older women and men.

opportunities. All society will benefit when harmful gender norms are eliminated.

While integrating gender equality and female empowerment into USAID's strategic planning and project design processes will improve sustainable development outcomes, this alone does not ensure that the Agency is addressing the most critical gender gaps in particular contexts or directing resources where they are most needed to empower females. Therefore, Missions may also develop specific gender equality Development Objectives (DOs) and all Operating Units (OUs) may invest in stand-alone projects that are determined to be strategic to the achievement of gender equality and female empowerment. These DOs and related interventions will depend on the specific country context, but should be scalable and innovative, and designed to link to broader sectoral and country programming.

Pursue an inclusive approach to foster equality: This policy is inclusive of all women and men, girls and boys, regardless of age, sexual orientation, gender identity, disability status, religion, ethnicity, socioeconomic status, geographic area, migratory status, forced displacement, or HIV/AIDS status. In each country context, USAID will address gender gaps across the human life cycle, recognizing that the precise nature and impact of gender inequality changes as people age and assume new roles in their families and communities. Closing gender gaps in adolescence is particularly important since gender inequalities in education, time use, and health can accumulate across the life cycle if not broken early (see Box 3).[28] USAID will also be aware of the diversity of households and family structures, which requires particular attention to domestic partners, child-headed households, single-person households formed by older adults, and the presence of secondary families formed by single parents within extended households. This inclusive focus will ensure that key gender gaps are reduced in ways that benefit all citizens, not just those who are the most visible, vocal, or who may have the easiest access to USAID programming.

[28]World Bank *op cit* and Ruth Levine et al., *Girls Count: A Global Investment and Action Agenda* (Washington, DC: Center for Global Development, 2009).

Build partnerships across a wide range of stakeholders: USAID will partner with a wide range of key actors to ensure that our efforts to increase gender equality and female empowerment are coordinated and non-duplicative, and reflect country priorities. This includes host governments; international and host country civil society; women's organizations; the donor community, foundations; lesbian, gay, bisexual and transgender advocates; and the private sector, including women-led businesses. USAID's partnerships with local individuals and organizations will capitalize on and leverage their passion, experience, and achievements, while building their capacity as advocates, leaders, and voices for change.

BOX 5: USING SCIENCE AND TECHNOLOGY

In February 2011, USAID and AusAID launched a partnership with GSMA, the leading mobile phone operators association, to reduce by half the mobile phone gender gap of 300 million in the developing world. The mWomen Partnership identifies what women look for when deciding whether to adopt mobile services and how these services can promote greater opportunities and empowerment. The three-year program includes technical assistance grants to mobile operators to help them implement mWomen opportunities and products; support for NGOs to work with mobile operators and design activities that address the barriers to mobile usage by women; research into women's wants and needs, such as within mobile financial services; and focused attention on maximizing the benefits from mobile phone use, including financial inclusion, education and healthcare.

The Global Alliance for Clean Cookstoves, a public-private partnership to save lives, improve livelihoods, empower women, and combat climate change, seeks to create a thriving global market for clean and efficient household cooking solutions. Through the alliance, USAID supports applied and operational research into how people use improved stove technology and how indoor air quality and sanitation interventions can improve household environments and promote economic opportunities for women.

Crucial to the success of this policy in fulfilling the mandates of the Presidential Policy Directive on Global Development and the QDDR is close collaboration with other relevant offices within U.S. Government departments and agencies, especially the State Department's Office of Global Women's Issues (S/GWI). Inter-agency cooperation facilitates attention to gender equality and women's empowerment in U.S. defense, diplomatic, and development efforts, and augments the impact of each agency's own programming.

Harness science, technology, and innovation to reduce gender gaps and empower women and girls: USAID interventions to promote gender equality and female empowerment should make bold, imaginative, and creative use of new technologies and innovations that hold great promise for increasing men's and women's health and well-being. For instance, high tech tools such as the internet and cell phones, as well as low tech innovations such as clean cookstoves, have the power to improve women's safety and health, increase economic productivity, and reduce unpaid labor (see Box 5). Scientific research and development of microbicides can both prevent the transmission of HIV/AIDS and manage fertility. Using science and technology to help change social norms and stereotypes can help reduce gender disparities.

Address the unique challenges in crisis and conflict-affected environments: USAID's work in crisis, conflict-affected, and fragile states will facilitate women's participation in peace processes and decision-making, promote women's roles in conflict prevention and recovery, strengthen its efforts to prevent and protect women from gender-based violence, ensure that relief and recovery efforts are specifically responsive to the different needs and priorities of women and men, and enable women's safe and equitable access to assistance, services, and livelihood support. Consistent with Executive Order 13595 and the accompanying U.S. Government 2011 National Action Plan on Women, Peace and Security, USAID, along with the State Department and Department of Defense, will have an implementation plan on women, peace and security that specifies actions to be used to empower women as equal partners in preventing conflict and building peace and increase the protection of women and girls in situations of conflict and insecurity. Through realization of the plan, USAID will be better able to capitalize on the unique roles of women and girls in conflict and crisis situations while better ensuring that they are effectively protected and assisted when faced with insecurity.

Serve as a thought-leader and a learning community: USAID will measure performance in closing key gender gaps and empowering women and girls. Monitoring and evaluation methods should include indicators that measure progress toward gender equality and women's empowerment (see Box 6 for the list of gender equality, women's empowerment, and gender-based violence indicators in the State-USAID Standardized Foreign Assistance Framework) and projects should collect and use sex-disaggregated data. Becoming a learning community means that USAID will work actively to learn from successes and failures and distill, showcase, and circulate throughout the Agency best practices on gender integration and achieving results that reduce gender gaps and empower women and girls.

Hold ourselves accountable: Promoting gender equality and female empowerment is a shared Agency responsibility and depends on the contribution and collective commitment of all staff. Senior managers, Mission Directors, and others will be held accountable for implementing this policy in bureau and mission portfolios and for defining concrete quantitative and qualitative results in strategies that are consistent with the outcomes outlined in Section 5 above. Specific responsibilities are spelled out in detail in the next section.

BOX 6:
BECOMING A LEARNING COMMUNITY: GENDER EQUALITY AND FEMALE EMPOWERMENT INDICATORS

In 2011, the State-USAID Performance Plan & Report system was significantly revised and the entire Foreign Assistance (FA) indicator suite was reengineered. Consistent with the Outcomes described in Section 4 of this policy, the new system includes seven output and outcome indicators on gender equality, female empowerment, and gender-based violence that should be used in Performance Management Plans for tracking progress toward implementation results and measuring impact across programs:

- Number of laws, policies, or procedures drafted, proposed, or adopted to promote gender equality at the regional, national or local level.
- Proportion of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income, or employment).
- Proportion of females who report increased self-efficacy at the conclusion of USG-supported training/ programming.
- Proportion of target population reporting increased agreement with the concept that males and females should have equal access to social, economic, and political opportunities.
- Number of laws, policies or procedures drafted, proposed, or adopted with USG assistance designed to improve prevention of or response to gender-based violence at the regional, national, or local level.
- Number of people reached by a USG-funded intervention providing GBV services (e.g., health, legal, psycho-social counseling, shelters, hotlines, other).
- Percentage of target population that views gender-based violence as less acceptable after participating in or being exposed to USG programming.

Becoming a learning agency involves more than using these indicators to report whether USAID programming is having the intended results. It also involves investments in rigorous monitoring and evaluation that collects appropriate sex-disaggregated data, asks clear questions about male and female roles and impacts to uncover intended and unintended positive and negative impacts, develops indicators designed to track changes in key gender gaps from baseline to endline, and uses rigorous qualitative and quantitative methodologies.

6 ORGANIZATIONAL ROLES AND RESPONSIBILITIES

This policy applies to all bureaus and missions and covers policy and operations in Washington and the field. In order to institutionalize this policy, missions and bureaus will carry out the following roles and responsibilities.

Missions, Regional Missions, and Country Offices will:

Adopt or revise, and periodically update, a Mission Order (MO) on Gender that: describes how the mission will implement the Agency's Gender Equality and Female Empowerment policy, including: integrating gender equality and female empowerment objectives throughout the Program Cycle; ensuring that the three Gender Sub-Key Issues are reflected in budget attributions in Operating Plans (OPs); ensuring that appropriate gender indicators are reported in Performance Plans and Reports (PPRs); assigning specific and detailed roles and responsibilities to mission staff; and ensuring that all staff who are required to do so receive gender training (see Section 7 below).

Hold implementing partners responsible for integrating gender into programming, developing indicators that measure specific gender equality goals for each activity, and consistently reporting to USAID on results related to gender equality and female empowerment.

Through the Program Office, provide data to Regional Bureau Program Offices and Gender Advisors to incorporate into regional reports on gender attributions in OPs, PPRs, and other required reporting, and address any problems revealed by these analyses. As part of the Program Performance Plan and Report, provide feedback and lessons learned on implementation of this policy.

Appoint a Mission Gender Advisor. The Gender Advisor should have (or be given the opportunity to fully develop) the technical skills and competencies necessary to provide appropriate guidance to technical and program staff to ensure that the policy is successfully implemented at the mission. Missions will determine the appropriate personnel category (e.g., FSO, FSN, PSC) for the Gender Advisor position, whether the position will be full- or part-time, and to whom the incumbent will report. Small missions, to be identified by regional bureaus through a consultative process (explained in forthcoming Implementation Guidance), or those in the process of closing are exempted from the requirement to have a Gender Advisor, but should nonetheless designate a staff member to serve as a point of contact for AID/W on issues related to this policy. Gender Advisors in regional missions will provide support to small missions. In all cases, the advisor will have responsibilities explicitly included in their job description, with an estimate of time allocation to carry out the work.

Be accountable, through the Mission Director, for implementation of the Gender Equality and Female Empowerment policy in mission portfolios and staff performance plans.

Regional Bureaus will:

Be the primary liaison between Washington, DC and Mission Gender Advisors.

Assist and support mission Program and Technical Offices and Gender Advisors, as needed, in conducting gender analyses related to country strategic planning and project design and integration of the results of these analyses into CDCS's, multi-year sector strategies, and project designs.

Keep missions apprised of key gaps, obstacles, research, and innovative programming approaches related to increasing gender equality and female empowerment that are appropriate for the specific region or countries within the region by sharing, responding to, or issuing relevant studies, tools, toolkits, reports, and evaluations.

Ensure that gender equality and female empowerment objectives are integrated into the bureau's regional programming, and that solicitations and contracts that are awarded reflect the mandated gender analyses.

Convey to regional bureau implementing partners the policy's requirements and provide appropriate oversight to ensure that all implementers comply with these requirements.

Ensure that gender issues are incorporated into all training programs organized by the regional bureau.

Work with missions to track attributions to gender sub-key issues in key planning documents such as OPs and PPRs and synthesize the data for the region into regional tables that PPL can use in the annual report to key stakeholders.

Ensure that regional bureau technical officers carry out gender analyses and integrate the findings into project designs and solicitations.

Ensure that regional bureau program officers monitor technical teams' adherence to gender integration in all phases of the programming cycle.

Have at least one Gender Advisor with regional expertise and appropriate technical and programmatic competency to provide guidance to regional bureaus technical and program staff to ensure that the policy is successfully implemented and to serve as primary bureau representative in Agency-wide deliberations around gender issues. Gender Advisor(s) should have responsibilities explicitly included in their job description.

Through AAs, DAAs, and office directors, ensure accountability for implementation of the Gender Equality and Female Empowerment policy in bureau portfolios and work responsibilities of staff.

Pillar Bureaus will:

Provide guidance, including through the Policy's Implementation Guidance, on how gender equality and female empowerment can be advanced or achieved in technical sectors (e.g., Democracy, Human Rights and Governance, Economic Growth, Environment, Global Health, Agriculture, etc.).

Develop tools and toolkits on best practices for gender integration in each technical sector context.

Coordinate with regional bureaus to liaise with and provide support to mission Gender Advisors as pertinent to technical areas.

Ensure that gender issues are incorporated into all training programs offered by the pillar bureau.

Ensure that gender equality and female empowerment are reflected in the bureau's programming, solicitations, contracts and grants, and included as one dimension in the bureau portfolio reviews.

Convey to pillar bureau implementing partners the policy's requirements and provide appropriate oversight to ensure that all implementers comply with these requirements.

Ensure that pillar bureau technical officers carry out gender analyses and incorporate the findings from these analyses into project designs and resulting solicitations.

Ensure that pillar bureau program officers monitor technical teams' adherence to gender integration in all phases of the programming cycle.

Have at least one Gender Advisor with appropriate sector expertise and technical and programmatic competency to provide guidance to technical and program staff to ensure that the policy is successfully implemented and to serve as primary bureau representative in Agency-wide deliberations around gender issues. Gender Advisor(s) should have responsibilities explicitly included in their job description.

Through AAs, DAAs, and office directors, ensure accountability for implementation of the Gender Equality and Female Empowerment policy in bureau portfolios and work responsibilities of staff.

The Office of Gender Equality and Women's Empowerment (GenDev) will:

Manage centrally funded technical assistance and gender training contracts.

Provide targeted and strategic support to the Bureau of Economic Growth, Agriculture and Trade (EGAT).

Pilot innovative programs aimed at gender equality and female empowerment consistent with the mandate of the EGAT Bureau and advance/scale up successes through the regular program cycle.

Backstop regional bureau Gender Advisors to provide technical assistance on gender integration for missions, as needed.

Coordinate working groups for cross-sector issues such as gender-based violence and women's leadership programming.

Develop a repository of best practices on gender integration including topics related to gender analysis, project design, implementation, and evaluation and monitoring.

Coordinate knowledge management on gender integration through the Agency's webpage on gender equality and female empowerment.

Coordinate with the Office of Human Resources and other bureaus as appropriate to identify opportunities for training or develop in-house curriculum on gender (see Section 7 below), and support missions and AID/W operating units in delivering the training.

The Office of Acquisition and Assistance (OAA) will:

Require contract and agreement officers to perform due diligence to ensure that the results of gender analyses are clearly reflected in all solicitation documents (e.g., Statement of Work/Program Descriptions, project deliverables, key personnel requirements, and monitoring and evaluation requirements).

The Office of the General Counsel and Regional Legal Advisors will:

Ensure that bureaus and missions comply with ADS gender integration requirements in documents cleared by GC (PADs, PIOs, IAAs, and new contract actions, such as IQCs and LWAs).

Serve as a resource for bureau and mission staff to answer questions on ADS compliance and policy implementation.

Provide advice to PPL and other relevant offices regarding revisions to ADS requirements related to gender equality and women's empowerment.

The Office of Human Resources (HR) will:

Periodically review and revise required competencies in the positions for Foreign Service backstops, civil service employees, and Foreign Service Nationals to ensure that they reflect the knowledge, skills, and abilities that will be needed by technical and program officers to implement this policy.

Develop, in concert with PPL, GenDev, and other bureaus as appropriate, the competencies necessary for Gender Advisors.

Encourage supervisors to ensure that employees receive the training necessary to meet the standards for the gender competencies in their backstop or job series.

Encourage supervisors to use incentives such as on-the-spot and time off awards, Meritorious Honor Awards, Special Act Awards, and Certificates of Appreciation to recognize accomplishments in gender integration.

Coordinate with GenDev and other bureaus, as appropriate, to identify opportunities for training or develop in-house training (online, on-the-job, sector or other) for staff (see Section 7 below).

Monitor and seek to ensure a positive climate for women in the Agency.

[29] Formerly the Bureau for Economic Growth, Agriculture and Trade.

Bureau for Policy, Planning and Learning (PPL) will:

Ensure that gender equality and female empowerment objectives and results are incorporated into Agency-wide policies and strategies, and provide appropriate guidance for gender integration within Country Development Cooperation Strategies, project design, and learning and evaluation products.

Ensure that gender equality and female empowerment objectives and results are incorporated into all PPL-led training processes (e.g., Program Cycle, project design, monitoring and evaluation, and others).

Coordinate with the Office of Budget and Resource Management and regional and pillar bureau Program Offices to prepare an annual review of: 1) FY OPs to verify that relevant budget allocations are being attributed to the gender sub-key issues; and 2) PPRs to determine the extent to which results in advancing gender equality and women's empowerment objectives are being achieved.

Represent the Agency in high level donor and policy forums, such as the OECD GenderNet.

Have a formally-designated permanent and full-time Senior Gender Advisor, who will work in concert with relevant offices to ensure gender integration in policies and strategies and that reporting requirements are met.

The Office of the Administrator will:

Ensure sufficient resources are available to carry out the functions of the Policy.

Use the power of the Office to highlight the importance of gender equality and female empowerment as key development objectives.

Reach out to governments, civil society, and Congress to explain and stress the importance of gender equality and female empowerment in development assistance.

Represent the Agency in key USG interagency and policy forums.

Have a formally-designated permanent and full-time Senior Coordinator on Gender Equality and Women's Empowerment, who spearheads enhancement of U.S. development assistance efforts to serve and empower women and ensure gender equality goals are met.

7 AGENCY REQUIREMENTS

Successful implementation of this policy will require changes to Agency directives and procedures, as well as changes to Agency culture and practices. This section outlines additional Agency requirements for fulfilling the letter and spirit of the policy.

Automated Directives System (ADS):

- The ADS will incorporate specific guidance, roles, and responsibilities for conducting the mandatory gender analyses and for incorporating the findings of these analyses across the Program Cycle; attributing funds to the gender sub-key issues in the development of annual OPs; and using the gender equality indicators in annual PPRs.

Reporting

- In coordination with the S/GWI Office and Office of U.S. Foreign Assistance Resources (F), PPL will prepare an annual report on the Gender Equality marker for the OECD-DAC, beginning in 2012.[30]
- PPL, with the Senior Coordinator for Gender Equality and Women's Empowerment, will report annually on the results of the Agency's efforts to advance gender equality and female empowerment, beginning in 2013.

Training

- HR and GenDev will oversee the development of basic gender training for the Agency. Basic training on gender equality and female empowerment is required for (a) all Agency staff who design, evaluate or manage strategies and projects; (b) Agency staff (including Mission and OU Directors and Deputy Directors) who directly or indirectly supervise staff who design, evaluate or manage strategies and projects, (c) all Contracting and Assistance Officers, and (d) program officers. The Agency's goal is for all new staff to receive basic training within two years of their start date and for all other staff captured in categories (a) through (d) who have not had gender training, to receive training within two years.
- Similar to training for other competencies, advanced training should be instituted for all Gender Advisors and gender points of contact.

Human Resources Practices

- The Agency will use the existing awards system and other incentives to recognize gender champions in Washington and missions who demonstrate exemplary efforts to promote gender integration and to achieve the goals of this policy.
- The PPL Senior Gender Advisor will convene an Agency-wide community of practice to facilitate learning across offices and issues. GenDev will facilitate communities of practice on cross-sector issues such as Gender–Based Violence and Women's Leadership.

Implementation Guidance and Frequently Asked Questions will follow approval of this policy. The Implementation Guidance will include model Mission Orders, templates for conducting required gender analyses, model position descriptions for Gender Advisors, guidance for training, and a timetable for missions and USAID/W for phasing in the requirements of this policy over the next two years.

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[30] The OECD-DAC marker system facilitates monitoring and co-ordination of Member States' activities in support of policy objectives for aid and covers the areas of economic well-being, social development, environment sustainability and regeneration and democratic accountability. The Gender Equality Marker is used by Member States to assess development interventions in terms of the contribution they make to gender equality and strengthening the rights of women.

In 2015, USAID will assess the implementation of this policy using appropriate performance benchmarks such as: gender integration in the results frameworks of Country Development Cooperation Strategies; an increase in the budget attributions to gender equality, women's empowerment, and gender-based violence in Operational Plans; use of the gender equality indicators in Performance Plans, and Reports; and increased gender integration in procurements and solicitations.

Conclusion

Gender equality and female empowerment are essential for achieving our development goals. Unless both women and men are able to attain their social, economic and political aspirations, and contribute to and shape decisions about the future, the global community will not successfully promote peace and prosperity. Realizing this policy in all of the countries in which we work will enable USAID to be a catalytic force for gender equality and women's empowerment worldwide and bring to fruition the vision of a world in which all people are equally empowered to secure better lives for themselves, their families, and their communities.

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523

www.usaid.gov

USAID
FROM THE AMERICAN PEOPLE

Photo: Shah Marai

YOUTH IN DEVELOPMENT

Realizing the Demographic Opportunity

USAID POLICY

YOUTH

OCTOBER 2012

"[T]here are underlying dynamics that are affecting young people everywhere – changes in demographics and technology, economics and politics that are bringing together this unique moment in history. Young people are at the heart of today's great strategic opportunities and challenges, from rebuilding the global economy to combating violent extremism to building sustainable democracies."

- Secretary of State, Hillary Rodham Clinton,
"Youth Rising," Tunisia, February 25, 2012

USAID
YOUTH IN DEVELOPMENT
POLICY

Realizing the Demographic Opportunity

OCTOBER 2012
WASHINGTON, DC

CONTENTS

MESSAGE FROM THE ADMINISTRATOR

I am pleased to share with you USAID's first policy on youth in development. Building on the Agency's decades of experience working with young people, this policy provides guidance on pursuing smarter, more innovative, and more cost effective approaches to empowering youth to contribute to and benefit from their countries' development efforts. In so doing, we seek to accelerate economic growth, strengthen societies, and respond to the needs and aspirations of young people everywhere.

No challenge is more important. Last year, world population surpassed seven billion people, more than half of whom are under the age of 30. Changing age structures can provides the opportunity to benefit from a so-called "demographic dividend." As children live longer and family sizes decrease, the share of those people in working ages grows in comparison to the very young or very old. Coupled with strategic, evidence-driven and results-oriented investments, this phenomenon can add as much as two percentage points of growth for years. This is especially true in today's world of rapid transformation and connectivity, where youth serve as energetic change agents in their communities and countries.

But there is nothing inevitable or automatic about achieving this promise. Young people must be given the skills, resources and opportunities to succeed through quality education, access to health care, adequate nutrition, supportive families and social networks, and the promise of good jobs. If so, they can be proponents of stable democracies, strong societies and prosperous economies. If not, there is another, less hopeful vision: where a large part of the population in developing countries is unemployed, frustrated, volatile, and subject to the siren songs of warlords, crime kingpins and traffickers in persons alike.

Under this policy, we place a strong emphasis on integrating youth considerations as a cross-cutting factor in all our programming. We also stress the importance of building diverse partnerships and fostering innovation with and on behalf of young people, and the need to better evaluate our youth programming. The policy highlights the need for new research, particularly around youth, food security and climate change where evidence in more limited. While this policy is framed around the complex youth transition from adolescence to adulthood, it also addresses the important synergies with childhood interventions, including in health, protection, education, and nutrition.

With the release of this policy, USAID reaffirms its commitment to empowering young people with the tools they need to create a more prosperous and peaceful world for us all.

Rajiv J. Shah
Administrator

ACKNOWLEDGEMENTS

A Policy Task Team (PTT), chaired by Nicole Goldin from the Bureau for Policy, Planning, and Learning (PPL) with Mark Hannafin from the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA)/Executive Secretariat, produced USAID's Policy on Youth In Development. The PTT comprised seven individuals from across the Agency for their recognized knowledge and expertise on these issues. These USAID staff worked intensively and collaboratively in service to this critical policy, and will continue to serve as important resources in the policy's implementation:

- Christine Capacci-Carneal (Middle East and Asia Bureaus)
- Clare Ignatowski (Bureau for Economic Growth, Education and the Environment)
- Cate Lane (Bureau for Global Health)
- Erin Mazursky (Bureau for Legislative and Public Affairs)
- Mark Meassick (Mission/Kenya)
- Enrique Roig (Bureau for Latin America and the Caribbean)
- Jennifer Watts (Bureau for Policy, Planning, and Learning)

The PTT held a series of internal and external listening sessions, as well as a review of the knowledge and evidence base for international youth development and relevant lessons from domestic experience. Early drafting was further informed by Washington and mission resource groups, and we thank them for their thoughtful feedback and contributions. We would also like to acknowledge Devon McLorg, a Presidential Management Fellow for providing critical support to the Team in the final months.

This policy is also the result of robust consultations across the Agency and interagency, as well as with interested Congressional staff, external practitioners and partners, and youth themselves. With collaboration from partners, we engaged over 150 young people in 15 countries and over 100 practitioners. All contributions substantially informed and improved this final policy. We are grateful to Deputy Administrator Donald Steinberg for his commitment to this policy and the young people it serves.

As we move to implement this policy, we intend to embrace feedback on how to ensure the Agency is achieving maximum impact and sustainable partnerships with host countries, other donors, young people, and a wide range of youth practitioners.

EXECUTIVE SUMMARY

This Policy on Youth in Development is the first of its kind for USAID. It is both timely and necessary as more than half of the world's population today is under the age of 30, with the vast majority living in the developing world. As Secretary Clinton said in Tunisia in February 2012, "…in every region, responding to the needs and aspirations of young people is a crucial challenge for the future." The policy is predicated on emerging best and promising practice for youth development and engagement that are gleaned from USAID and partner's experience in youth programming, as well as through consultations with young people across the developing world. The policy is further informed by principles and practices articulated in the *Presidential Policy Directive on Global Development (PPD),* the *Quadrennial Diplomacy and Development Review (QDDR),* the *National Security Strategy 2010,* State Department *Youth Policy 2011,* USAID Forward, and the *USAID Policy Framework 2011-2015.*

USAID has decades of valuable experience in leading efforts with young people and societies to enable safe and productive transition of youth to adulthood. However, USAID has not always approached its work with youth systematically. This policy puts forward an overarching goal for youth development along with related objectives and outcomes to be achieved. It outlines a conceptual approach to youth in development and provides guiding principles and operational practices in support of USAID's efforts to mainstream youth in development, carry out more effective programs, and elevate youth participation. Importantly, this policy will position USAID and its partners to capitalize on favorable global population trends by investing in programs and policies by, with, and for youth that seize opportunity and lead to sustainable growth and human development, including through the realization of what is often referred to as a demographic dividend.

Goal: Improve the capacities and enable the aspirations of youth so that they can contribute to and benefit from more stable, democratic, and prosperous communities and nations.

Objectives

1: Strengthen youth programming, participation and partnership in support of Agency development objectives.

2: Mainstream and integrate youth issues and engage young people across Agency initiatives and operations.

Expected Outcomes

- Youth are better able to access economic and social opportunities, share in economic growth, live healthy lives, and contribute to household, community, and national well-being.
- Youth fully participate in democratic and development processes, play active roles in peace-building and civil society, and are less involved in youth gangs, criminal networks, and insurgent organizations.
- Youth have a stronger voice in, and are better served by local and national institutions, with more robust and youth-friendly policies.

Sizeable youth populations are both an opportunity and a challenge. Development can be accelerated when the majority of youth in any country are able to make significant contributions to economic, social, and political life in a way that lifts countries out of poverty, ensures greater stability and promotes healthier societies. Alternatively, peace, progress and prosperity are held back when countries are unable to meet the basic needs of their youth. With few exceptions, in the coming decades, developing countries have or will have a population age structure that favors economic growth. For some countries, the window to capitalize on this opportunity is short, while for others, it is just opening or still a few decades away.

Reaching youth potential depends upon their preparation for and participation in development efforts; leveraging investments in early childhood in order to set the stage for tomorrow's development outcomes.

To achieve objective one, the policy provides a conceptual framework for youth in development that comprises four intertwined elements: *support, protect, prepare and engage*. Youth programming has traditionally been implemented within specific sectors, including health, education, employment, and civic participation. Increasingly, however, youth development practitioners recommend that sector approaches be broadened to include cross-sector and integrated approaches, and that greater attention be paid to strengthening youth development systems. This framework and guiding principles will shape efforts to meet objectives and achieve expected outcomes. These principles include:

- Recognize that youth participation is vital for effective programs;
- Invest in assets that build youth resilience;
- Account for youth differences and commonalities;
- Create second chance opportunities;
- Involve and support mentors, families, and communities;
- Pursue gender equality; and
- Embrace innovation and technology by and for youth.

To achieve objective two, the policy calls for Agency officers to mainstream, integrate and invest in youth to yield success, scale and sustainability across Agency core initiatives and priorities. It advances a development model that fully embraces youth potential and participation, and it provides insight into how to program strategically for this target group.

While youth development programs often focus on young people in the 15-24 year age range, the policy recognizes that USAID youth programs likely engage a broader cohort of 10 and 29 year olds; with the critical understanding that the transition from childhood to adulthood is not finite or linear and varies across and within countries. The policy asks all USAID missions to consider how they can mainstream youth across their portfolios, and provides guidance on when and how to prioritize and target intentional youth development efforts. While this policy is framed around young people's development, it also acknowledges the important links to and synergies with protection issues and interventions, as well as laws and policies protecting those aged 0 to 17 (who are defined as "children" by international standards and convention).

With this policy, USAID will begin to strategically reorient its development activities towards improving prospects for and partnerships with youth, thus further advancing USAID's broader development goal of shaping and sustaining peaceful, prosperous, just and democratic societies.

I. INTRODUCTION
YOUTH IN DEVELOPMENT

On October 31, 2011, the world population reached seven billion. Half of this population is under the age of 30, and 1.7 billion are aged 10–24, making this the largest generation in human history. Young people make up an especially large share of the population in developing countries, often the largest share.[1] In many places, this youth generation also spends more time in school, starts work later, and gets married and starts families later than previous ones.[2]

Globalization, technological advances, and the spread of social networking offer new opportunities for youth to connect and become more active participants in development, while at the same time making their lives more complex and challenging. This youthful demographic landscape must be a central part of any development policy, one designed to integrate young people more fully in political, economic and social life and enable them to share in the benefits of development.

Throughout history, young people have actively sought to bring social, political and economic change to their countries. In so doing they are sometimes credited with changing business as usual. Often they are portrayed as rebellious, destructive, reckless or violent. However, young people are today's and tomorrow's wage earners and entrepreneurs, educators and innovators, health professionals, political and civic leaders, vital to economic growth and well-being.

In its 2007 World Development report, the World Bank suggested that developing countries which invest in better education, healthcare, and job training for their record numbers of young people aged 12-24 could take advantage of their "demographic dividend" to accelerate economic growth and sharply reduce poverty.[3] Experience at home and abroad shows that engaging youth in neighborhood, community and national development yields an opportunity to harness their energy, enthusiasm, skills, and innovative ideas to increase economic growth, foster social stability, improve civic participation, and ensure healthier, more educated and productive societies.

USAID's Youth in Development policy recognizes that young people are both individuals transitioning through life's developmental stages, and actors in the development of their countries and communities. As young people, they experience physical, cognitive, emotional, and social changes that influence their needs, identities, and behavior as well as their opportunities.[4] Research shows they also make choices and respond to incentives differently than do young children and adults. Better understanding of the biological, social and cultural dimensions of youth behavior will facilitate the design of programs that better support them, helping them to become part of the solution to today's challenges.

The policy grows out of the Agency and partners' experience in youth programming, an awareness of the principles on which it is based, and recognition of the need to identify clear policy goals and objectives as well as outcomes against which to measure results. It rests on two basic objectives: investing in youth programs and participation in support of USAID's development objectives; and mainstreaming and integrating youth issues across Agency initiatives and processes.

Drawing on best practices for youth development and engagement gleaned from Agency experience, as well as through consultations with young people and youth-serving organizations across the developing world, the policy is further informed by principles and practices articulated in the PPD, the QDDR, the *National Security Strategy 2010,* State Department *Youth Policy 2012,* USAID Forward, and the *USAID Policy Framework 2011-2015.* Youth are also reflected in the *Gender Equality and Female Empowerment Policy,* the *Development Response to Countering Violent Extremism and Insurgency,* the *Counter Trafficking In Persons Policy,* the President's Emergency Plan for AIDS Relief (PEPFAR), *USAID Education Strategy (2011-15), Climate Change and Development Strategy (2012 – 16);* and the U.S. Government *Action Plan on Children In Adversity.*

[1] In Sub-Saharan and North Africa, about 40 percent of the population is under 15, and nearly 70 percent is under thirty (Lin 2012). In Latin America, the Caribbean and Asia, 28 percent of the population is aged 15-24 years, compared to 19 percent in developed regions (Population Reference Bureau. 2011).
[2] Rachel Nugent. (2005). Youth in A Global World. Population Reference Bureau.
[3] World Bank Development Report (2007). Development and the Next Generation. The World Bank.
[4] "The Adolescent Brain", Jim Casey Youth Opportunities Initiative, 2011. Available at www.jimcaseyyouth.org.

The policy also responds to calls from Agency officers in the field and in Washington, for guidance in addressing their new demographic realities. USAID has been conducting youth programming for over two decades and in nearly 40 countries, yet efforts to estimate the dollar value of this work have been hampered by under-reporting. Records show that in recent years, at least $300 million has been spent each year from various funding streams, though the actual value of investment is likely higher once cross-cutting and "untagged" projects for young people are taken into account. Since 1994, USAID has implemented four major global youth mechanisms including: Focus on Young Adults (1994-2000) and YouthNet (2000-2006) in the Global Health Bureau; Youth: Work (2008-2013) and EQUIP3 (2003-2012) in the Economic Growth, Education, and Environment Bureau. Under EQUIP3, USAID funded workforce readiness and cross-sectoral youth projects in 26 countries. Though USAID has been conducting programs targeting and benefiting youth, data has rarely been collected that allowed an evaluation of impact.

While addressing the needs of youth today, USAID's Youth Policy recognizes that there is a continuum in development as children grow and transition into adults. The overlapping youth years are critical windows of opportunity to help older children thrive and reach their fullest potential. In lower- and middle-income countries, an estimated 200 million children under five years of age – more than 30 percent of the world's children – fail to reach their developmental potential, limiting their future ability to contribute to their communities and families or obtain gainful employment.[5] Failure to address adversity at this time leads to lifelong deficiencies and compromises future youth in development opportunities. USAID sector strategies pay close attention to childhood interventions, helping seven million children through nutrition interventions that prevent stunting, reducing child mortality with investments in water, sanitation and hygiene (WASH), family planning and maternal child health, and improving reading skills for 100 million children in primary grades by 2015. Yet enabling countries to empower youth in development and realize their demographic dividend requires continued investment into the teen years and beyond.

Investment in youth programs and services can reduce conditions that limit the potential for a demographic dividend, including for example high rates of youth unemployment, school dropout, early pregnancy, HIV/AIDS infection, and poor nutrition. Early marriage and pregnancy and limited family planning services are major contributors to the inability of girls and young women to complete their education, and achieve their full potential. Globally, young people ages 15-24 represent 45 percent of all new HIV infections, with at least 95 percent of all new infections occurring in less developed countries,[6] while some 70 percent of premature deaths among adults can be linked to harmful behaviors, such as smoking and alcohol use which are initiated during adolescence.[7] Increasing our investment in youth will amplify and sustain important health and social gains from childhood interventions.

WHO ARE YOUTH?

Youth is a life stage, one that is not finite or linear. Key multilaterals define youth as 15-24 years for statistical purposes, yet for policy and programming many countries and organizations expand this range to reflect the broader range of changes and developmental needs in the transition to adulthood, as well as the diversity among cultural and country contexts. USAID uses the term youth and young people interchangeably and while youth development programs often focus on youth in the 15 to 24 year age range, USAID programs also are likely to engage individuals aged 10-29 as a broader youth cohort. The transition to adulthood involves multiple and overlapping physical, cognitive, emotional, political, social and cultural changes. Successful youth engagement and programming is based on a lifecycle continuum, beginning with deliberate attention to the critical years of children entering adolescence and into young adulthood. USAID views early adolescence as the onset of youth transition with recognition that those under age 18 are universally considered children and subject of numerous national and international norms and legal protections this policy seeks to reinforce. At the same time, this policy is reflective of youth voices and perspectives. When consulted, some younger youth have identified themselves as teens or youth, rather than as children. Recent research provides new understanding about brain development, physical changes, and social and emotional development that can be used to inform and target programming along the youth life span from adolescence through early adulthood.

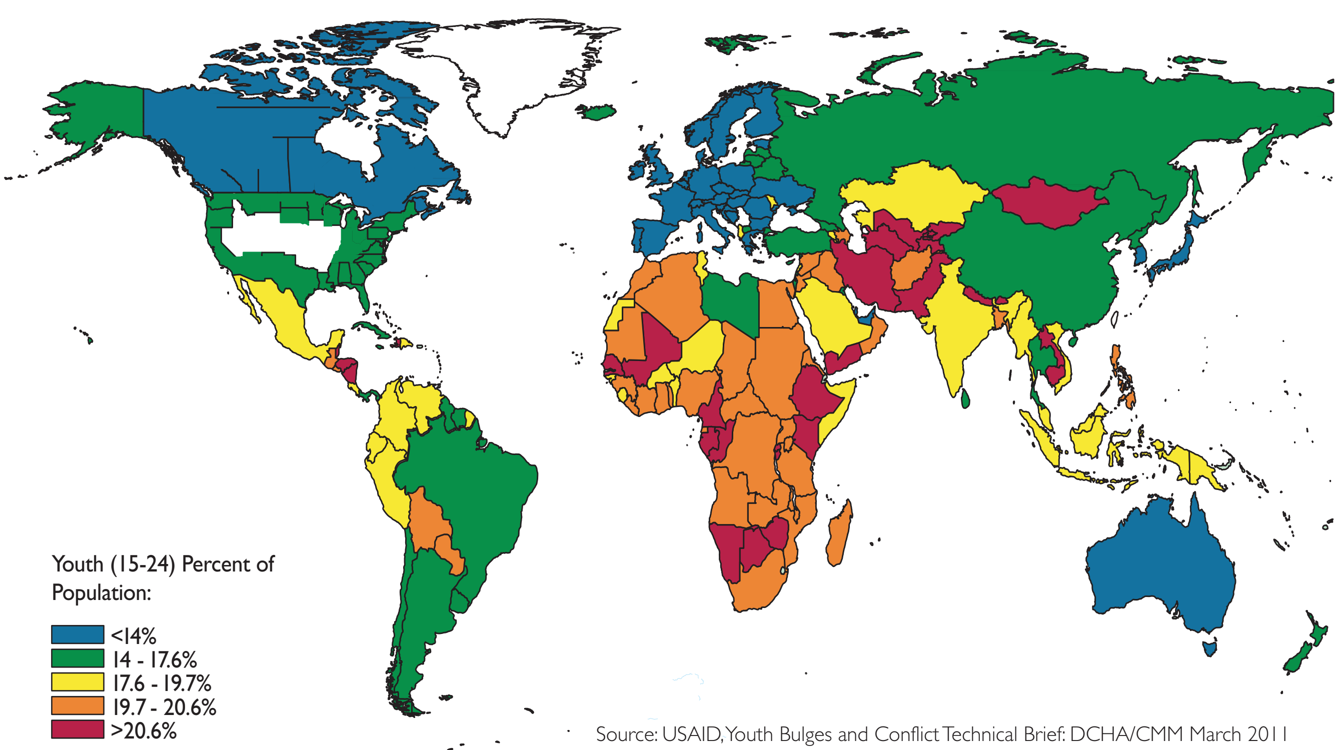
[5] Grantham-McGregor, S, et al. (2007).
[6] Youth and the Global HIV/AIDS Pandemic, Advocates for Youth (2008).
[7] Glasier A, Gulmezogul, A; Schmid G, et al. (2006).

II. CHALLENGES AND OPPORTUNITIES: A GLOBAL SNAPSHOT

While youth face enormous challenges, particularly with regard to employment and livelihoods, they nevertheless represent the opportunity of today and tomorrow—as educators and innovators, entrepreneurs and investors, health professionals and scientists, politicians and peacemakers. This makes it doubly important to invest in them now—making it possible for future generations not only to survive but also thrive, and so that countries that invest in their youth can realize the vitally important 'demographic dividend' these youth represent.

Societies that have begun their demographic transition (from high to low birth and death rates) have lower dependency ratios – or a lower number of dependents to the total working age populations. All else being equal, lower dependency ratios can favor higher productivity and economic growth with a resulting increase in a country's per capita gross domestic product (GDP) when appropriate education, labor, and economic policies are also in place. Put another way, more people engaged in productive work can mean more growth. Coupled with higher domestic savings and investments in economic development and family welfare, this type of demographic transition can create elevated rates of economic growth referred to as a demographic dividend.

In Sub-Saharan and North Africa[8], around 40 percent of the population is under 15, and nearly 70 percent is under 30 – representing "pre-transition" age structure. Yet many develop-



Source: USAID, Youth Bulges and Conflict Technical Brief: DCHA/CMM March 2011

[8] Lin, 2012

ing countries, in Asia for example, are now experiencing or have begun to experience declining fertility rates, and larger shares of the population are working and contributing to national economies. However, economic growth does not automatically accelerate as fertility rates and dependency ratios decline and the share of working age population increases. Realizing a demographic dividend also depends on a favorable policy environment, which includes good governance, macroeconomic management and trade and labor policies aligned to development goals, and adequate investment in those goals.[9] Therefore, in sub-Saharan Africa and elsewhere where fertility rates are poised decline, it is imperative to establish an enabling policy environment now so that children and youth can benefit from investments in education, health, employment and livelihood creation to become productive adult workers today and in the near future.

Economic Opportunity

Realizing the demographic dividend requires getting more young people into productive employment and income generating activities, making the current scale of youth underemployment and unemployment a matter of worldwide concern. The International Labor Organization (ILO) estimates that over 75 million young people worldwide are unemployed, and more than a billion jobs must be created in order to accommodate new workers and reduce unemployment.[10] Also alarming is the increasing number of youth 'NEETs – Not Employed or in Education or Training' – ILO data for 24 developing economies show an average NEET rate of 12.4 per cent for young men and 28.1 per cent for young women. Unemployment rates among young people everywhere are higher than among adults – averaging nearly three times the rate of the adult workforce. The challenge in cities can be particularly acute, as urban youth often face greater labor market barriers due to their lack of prior job experience and lack of links to professional networks and contacts, or the fact that their education and training did not prepare them for the world of work or is not matched to growth sectors. They are also entering a labor market in which informal or part time jobs are the most rapidly growing form of employment, especially since the onset of the 2010 financial crisis, so the jobs they can find are generally short-term with little job security and few, if any, benefits. Yet, in many developing countries, agriculture still remains the heart of the economy, utilizing up to 70 percent of the labor force. In terms of financial inclusion, youth aged 15-24 are 33 percent less likely to have a bank account. It is therefore increasingly important that programs seek to address both the demand and the supply side of job creation, promote self-employment and entrepreneurship, engage youth productively in agriculture and value chains, and expand access to services for economic success such as financial literacy and information communications technology, banking and credit.

Richard Bernardo, 18, of conflict-afflicted Mandanao region of the Phillippines, completed a two-month automotive servicing course for out-of-school youth under USAID's EQuALLS Project.

Credit: Rojessa Tiamson-Saceda/EQuALLS Project

Youth Learning

Overcoming inequity requires a population that is informed, educated and skilled. In fact, investment in education has increased and developing countries have experienced major gains in education for young people. By 2009, some 531 million students were enrolled in secondary education, and 165 million in tertiary education.[11] Results show that investment in early education and literacy is foundational to continued progress and achievement. Gender gaps have also been closing: the ratio of girls to boys in primary school in 2010 was 97:100, up from 91:100 in 1999, and 96:100 in secondary school, up from 88:100 in 1999. The total out of school population fell from 106 million to 67 million between 1999 and 2009, with the share of girls in this population dropping from 58 to 53 percent. While completion rates are less satisfactory – for example, in 19 African countries, up to 95 percent

[9] Bloom and Canning, 2008.

[10] The Youth Employment Crisis: A call for Action. International Labour Organization. 2012.

[11] Report of the expert group meeting on 'Quantitative Indicators for the World Programme of Action for Youth', New York, 12-13 December 2011.

of girls drop out of secondary school[12]- improved data collection shows that many school drop-outs eventually return to school. In Ethiopia, almost 75 percent of primary out-of-school children will eventually return, while in Cambodia, Liberia and Zambia, most out-of-school children will attend school at some point in the future.[13] Youth literacy, which is a vital prerequisite for education as well as employment, is also improving as a result of increased investment. The global literacy rate for youth (aged 15 to 24) increased from 83 to 90 percent between 1990 and 2010. Yet in many USAID-footprint countries, youth literacy rates are still low, especially for rural youth and girls – though gender gaps are gradually narrowing globally. In 2010, there were 95 literate young women for every 100 young men, compared to 90 young women for every 100 young men two decades ago.[14]

As national and global enrolment rates improve, there is growing attention to groups that are harder to reach, including migrant and refugee youth, street children, rural youth, married girls and young people with disabilities. While open source platforms and the Internet hold much promise for learning access, per the International Telecommunications Union (ITU), 77 percent of those over age 25 in the developing world are not online and 70 percent of under 25-year olds – 1.9 billion – are not yet online. There is also increasing attention to the quality of educational systems to ensure schools teach the information and skills youth need in order to enter the workforce or participate in civic life. In addition to cognitive skill development, "non-cognitive skills such as perseverance, motivation, risk aversion, self-esteem and self-control are strongly predictive of life outcomes."[15]

Youth Health

Health and nutrition among young people is another area in which investment pays off, and adolescent health has improved to a lesser extent than that of younger children. In a recent study of 50 countries, childhood mortality was reported to have declined by more than 80 percent in the past 50 years. By contrast, adolescent mortality has only marginally improved.[16] The leading causes of youth mortality worldwide are injury (traffic accidents, violence, drowning, and fires), suicide, pregnancy and childbirth, respiratory infections, HIV, tuberculosis, and meningitis. Moreover, around 70 percent of premature deaths among all adults have been linked to smoking and alcohol use and other behaviors initiated during adolescence.[17] The biggest risk factors for all youth include alcohol, unsafe sex and illicit drugs.[18] Among girls and young women, however, complications of pregnancy and childbirth are the greater danger: the proportion of girls aged 10-14 that die in pregnancy or childbirth is five times higher than that of women aged 20-24, and twice as high among girls aged 15-19. The vast majority of these deaths take place within marriage, making the fight against early marriage and the promotion of youth sexual and reproductive health critical.[19]

Adolescents are particularly vulnerable to malnutrition, which is common among young people living in poverty. Over 500 million youth live on less than $2 per day; some 238 million (22.5 percent) live in extreme poverty, surviving on less than $1 dollar per day. Accordingly, the United Nations Secretary General has urged countries to prioritize nutrition in national development. And this trend tends to be worse for youth who were undernourished in early childhood, thus compounding the problems and underlining the need for integrated and coordinated child-youth programming. Global attention is also increasingly focused on food security, which has been subject to more and more frequent crises in the last decade.

Young people, and young women especially, are also particularly vulnerable to HIV infection. There were 2.7 million new HIV/AIDS infections in 2010, down 21 percent from 1997. About 40 percent of new HIV infections are among young people age 15-24, yet only 40 percent of young men and 38 percent of young women have comprehensive knowledge about HIV transmission. However, far more young people know how to prevent HIV infection. As a result, HIV incidence has fallen in 33 countries, 22 of them in sub-Saharan Africa. According to UNAIDS, declines in new HIV infections have been primarily due to changes in behavior—including among young people, as well as by greatly increased access to HIV prevention, care and treatment services.[20] In this regard, youth also are important influencers in families and communities, promoting positive behavior across generations.

[12] Cited in www.7billionactions.org, a UNFPA global internet campaign initiated in June 2012
[13] There are dramatic regional differences in tertiary education, ranging from 63 girls for every 100 boys in sub-Saharan Africa to 128 girls for every 100 boys in Latin America and the Caribbean (UN MDG Report 2012).
[14] UN MDG Report, p. 19.
[15] JPAL 2012. p. 4.
[16] Sawyer, et. al. 2012.
[17] Glasier, et al. 2006.
[18] Expert group meeting on Quantitative Indicators, 2011, p.16.
[19] Cited in www.7billionactions.org
[20] UN AIDS Data Tables 2011.

Peace, Security and Democracy

Achieving the benefits of investment in young people depends on a secure environment and a belief by youth that they have a stake in governance, peace and democracy. Young people especially suffer from a lack of physical security in their daily lives. Children and youth who witness or experience violence at home, on the street, at school, or wherever it occurs are significantly more at risk for health problems, anxiety disorders, poor school performance and violent behavior.[21] Worldwide some 250,000 homicides a year occur among youth aged 10–29 years, 41 percent of the annual global total.[22] Violence against young women is particularly alarming. While this varies across countries and cultures, a 2005 World Health Organization study found that in 10 out of 15 countries studied, 20–36 percent of women aged 15–19 years old reported being subject to at least one act of physical violence in the previous year. A six-country study found that women who were younger than 20 years when they married or started living with their husband or partner were more likely to report physical or sexual violence than those who were older than 20 years.[23]

Violence, high school dropout rates and the challenges of the school-to-work transition can create conditions for youth to be recruited into criminal networks, armed groups, youth gangs, and trafficking, all of which contribute to sustained violence, extremism and insurgencies.[24] Political and civic marginalization can further fuel discontent. It has been suggested that a "youth bulge" (especially one that is made up of many unemployed or idle young men) may result in social unrest, war or violent extremism. Indeed, 86 percent of all countries experiencing the outbreak of civil conflict have populations with a majority under the age of 30.[25] However, studies on population trends and incidences of civil conflict suggest that the security concerns related to youth are more nuanced, and that a large youth population is only one of many risk factors involved in civil conflict, crime and violence. While large youth cohorts are often exploited to confront deeper social grievances, they are not the cause of violence. Other factors include rapid urbanization, poor natural resource management, economic stagnation, unemployment, limited social investment, and few opportunities for political participation.[26] In fact, engaging young people in creating safe environments—safe schools, safe neighborhoods, safe jobs, safe cities—is already showing positive results. Similarly, while accurate accounts of youth voting are lacking, anecdotal experience shows that youth civic and political education and participation supports stabilization and democracy.

[21] See USAID Gender equality policy, p. 7.
[22] See WHO Fact Sheet #356 "Youth Violence". August 2011.
[23] Hindin et al., 2008

[24] The Development Response to Violent and Extremism and Insurgency, USAID Policy, September 2011
[25] Collier, et al., 2006.
[26] Cincotta, et al., 2003.

III. GOAL AND OBJECTIVES

USAID envisions a world in which women and men, girls and boys enjoy economic, social, cultural, civil and political rights and are equally empowered to secure better lives for themselves, their families and communities; and to access quality education, health care and employment opportunities, exercise their own voice, and live free from intimidation, harassment, discrimination and violence.[27]

The goal of the Youth in Development policy is to improve the capacities and enable the aspirations of young people so that they contribute to and benefit from more stable, democratic, and prosperous communities and nations. In support of this goal, USAID will work towards two objectives:

1: Strengthen youth programming, participation, and partnership in support of Agency development objectives.

USAID will implement programming designed specifically to *support, protect, prepare and engage* young people to access quality education, health and nutrition, jobs and livelihoods and to live free of violence and abuse, particularly in conflict and crisis situations in order to harness the demographic opportunity and achieve broader development outcomes. Scaling up our investment in youth programs will sustain and amplify important health and social gains from childhood interventions, and enable them to bear fruit. Increasing youth participation in the development of policies, programs and services should inevitably lead to better results.

As youth initiatives are tested, evaluated and proven effective, USAID should explore scaling up through creative partnerships with public and private institutions and communities at-large, including country-level ministries and the private sector.

2: Mainstream and integrate youth issues and engage young people across Agency initiatives and operations.

Many areas of development work can be significantly strengthened by considering the age demographics and life conditions of young people, and incorporating their perspectives, aspirations and ideas. USAID will strive to mainstream and integrate youth into program planning across sectors, increase their meaningful participation, and incorporate youth development practices across systems and into areas of escalating investment such as food security, global health, child protection, and climate change, while promoting gender equality and embracing science and technology by and for youth.

USAID will seek to identify and strengthen youth-led and youth-serving organizations and networks. USAID will further seek to identify, support, and promote research and innovation by, with, and for youth. It is expected that Agency policies, country strategies, and partnerships will be inclusive of youth and will actively leverage the assets, priorities, and ideas of young people.

USAID efforts towards these objectives are designed to achieve three critical outcomes across multiple programs and sectors:

- Youth are better able to access economic and social opportunities, share in economic growth, live healthy lives, and contribute to household, community, and national well-being.
- Youth are empowered to participate in building peaceful and democratic societies and are less involved in youth gangs, criminal networks, and insurgent organizations.
- Youth have a stronger voice in, and are better served by, local and national institutions, with more robust and youth-friendly policies.

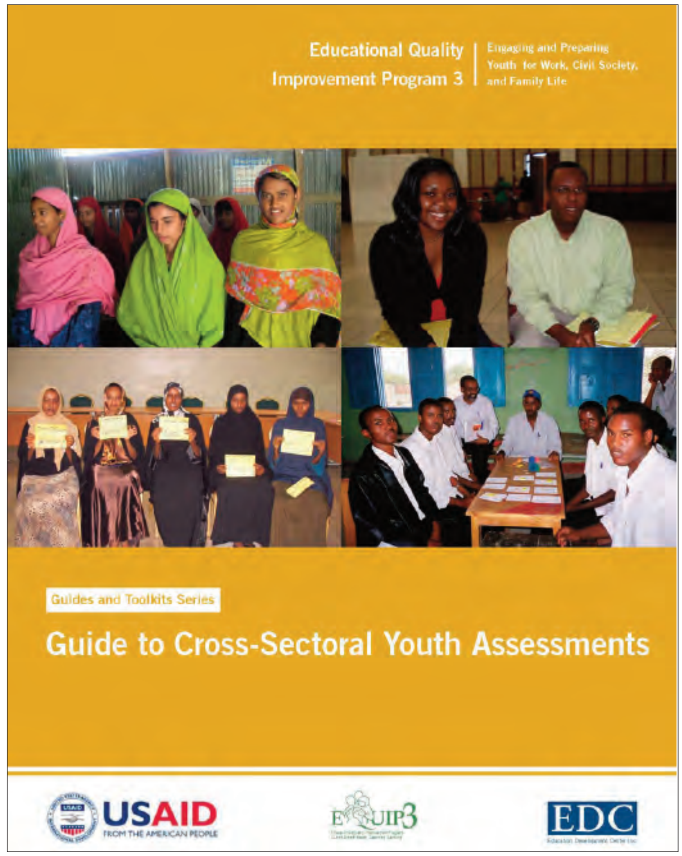
Applying selectivity and focus in meeting objectives

In an era of scarce resources, multiple USG national security interests and variable country contexts, not all missions will be able to, or necessarily need to, focus on youth in the same way. USAID can also be more effective by being more strategic about where it conducts youth work, and what the focus of those programs is. USAID activities in countries where the age structure favors achievement of the demographic dividend need a different investment strategy than activities in countries where the demographic transition has only just begun or is years away. This policy will affect countries differently, given varying operating environments, and national commitment to programming for youth. The policy expects USAID operating units to strategically consider how mainstreaming youth can support the achievement of their development objectives. To ensure adequate selectivity and focus in where we do youth work and what we

[27] Vision shared in USAID Policy on Gender Equality and Female Empowerment, 2012.

UNDERSTANDING YOUTH: THE POWER OF ASSESSMENT

Since 2004 USAID has innovated methodologies for conducting cross-sector youth assessments to enable missions and development partners to identify critical dynamics in education, employment, health, security, and democracy and governance that affect young people's life chances. Trained youth in developing countries participate with expert assessment teams and lead mapping teams: they facilitate focus groups, collect and analyze data, and offer input to strategic programming decisions. Often these assessments allow diverse technical offices in USAID Missions to collaborate closely to develop more integrated responses to youth challenges. USAID's YouthMap project is bringing youth-driven cross sector assessment methodology to eight countries in Africa. (Photo on right depicts the *Guide to Cross-Sectoral Youth Assessments* developed under the EQUIP3 Project.)



do, the policy recommends that each mission examine the potential for enhanced youth programming by conducting strong assessments, considering demographic trends, country context and indicators as well as national priorities, and age appropriate programming. Further analysis and guidance on considerations for selectivity and focus can be found in Annex A.

Youth assessments provide a detailed understanding of the needs of the diverse youth population including the identification of vulnerable youth, the areas of greatest need, the conditions that may drive youth toward risky behavior, and the potential opportunity for impact. Informing USAID Country Development Cooperation Strategies (CDCS) and in concert with other development partners, USAID Missions are encouraged to consider the entire span from adolescence to young adulthood—including inter-generational implications—to arrive at the highest priority interventions.

IV. OBJECTIVE ONE: STRENGTHEN YOUTH PROGRAMMING, PARTICIPATION, AND PARTNERSHIP- FRAMEWORK AND GUIDING PRINCIPLES

With this policy, USAID seeks to strengthen youth programming, participation and partnership in support of Agency development objectives. Youth in Development at USAID is the intentional, ongoing process of assisting youth in their transition from childhood into adulthood. It is based on a **conceptual framework** –drawn from best practices in youth specific programs – compromising four interacting elements:

- **Support:** Meeting basic youth developmental needs and valuing their contributions.
- **Protect:** Preventing and responding to violence, exploitation, abuse, and neglect; and ensuring young people are safe and receive care.
- **Prepare:** Building youth competencies and skills to become informed, healthy and productive citizens.
- **Engage:** Creating channels for dialogue and participation that enable youth to contribute to their own and their communities' development.

USAID **support** efforts center on the creation of an enabling environment, envisioned as a youth 'ecosystem' that supports youth at the individual, family, community and national levels.[28] These efforts utilize a systems approach, which shapes the policies, norms, values and beliefs of individuals, communities, local and national institutions towards positive life trajectories for youth through partnerships, coordination, and coalitions across sectors and among diverse youth and adult stakeholders.

Protection efforts focus on preserving young people's rights, and bolstering and aligning programs in adherence to national and international legal frameworks regarding vulnerable youth, conflict and disaster response. Protection programs will incorporate commitments, policy and best practices per the forthcoming U.S. Government Action Plan on Children in Adversity. USAID's youth portfolio will also incorporate other relevant USAID policy, strategy guidance, and tools towards the safety of all young people. Particular attention will be given to early marriage, gender-based violence, trafficking in persons, and the rights of lesbian, gay, bisexual and transgender (LGBT) populations.

Preparing youth for adulthood occurs within and across multiple sectors and domains by strengthening capacities and building assets. Mounting evidence holds that holistic or integrated youth programming can be particularly effective in addressing the complexities of young people's lives. Cross-sector approaches comprehensively address youth life transitions (learning, work, health, family, citizenship) and are designed around common factors (e.g., education, employment, life skills, security), leading to overlapping positive outcomes across multiple domains. They also respond to the USAID Policy Framework which advocates integrated approaches that leverage resources and generate transformative outcomes on complex, multi-dimensional issues.

Efforts to **engage** youth involve elevating their voices and ensuring meaningful opportunities to contribute to resolving issues and promoting positive change in their communities and nations. Youth engagement also involves preparation of adults to listen to and work with young people. There is a need to improve the quality of partnerships with youth, to provide more concrete platforms for youth participation, to support existing local youth networks and initiatives, and to include youth in science, technology and innovation initiatives. USAID will collaborate with other USG agencies to support youth engagement through Youth Advisory Councils; and other types of consultation mechanisms (online or in-person), at home and abroad.

Annex B illustrates different types of sector, cross-sector and systems projects that serve to support, protect, prepare and engage youth in development.

Guiding Principles

Youth programming varies widely owing to the distinct phases of the life span, the multiplicity of sectors and policies that influence youth development outcomes, the diversity among youth and

[28] The Commonwealth Secretariat (2007) recommends the involvement of ministries of health, finance, economic development, housing, justice, education, environment, and agriculture.

their needs and aspirations. In order to take these into account while at the same time utilizing best practice interventions and responding to broader Agency objectives, the following principles are designed to improve the consistency and quality of USAID's youth development efforts:

- Recognize youth participation as vital for effective programs;
- Invest in assets that build youth resilience;
- Account for youth differences and commonalities;
- Create second chance opportunities;
- Involve and support mentors, families, and communities;
- Pursue gender equality; and
- Embrace innovation and technology by and for youth.

Recognize youth participation as vital for effective programs. Given the opportunity and preparation, youth are valuable partners, who can offer insight, guidance, innovative thinking and solutions. They know how to reach other youth in ways that can improve knowledge, shift attitudes, and ultimately change behaviors. By strengthening their social and leadership skills, youth participation not only reduces passivity and apathy among youth but also promotes a positive view of young people in the wider adult community.

EFFECTIVE YOUTH PARTICIPATION IN THE USAID PROGRAM CYCLE

- Youth are consulted in policy development.
- Youth have specific roles in assessment, program design, implementation and evaluation.
- Youth-serving and youth-led organizations are supported.
- Youth have dynamic platforms for voice and innovation.
- Strategies are informed by youth input and by research on what works and life conditions of young people.

Invest in assets that build youth resilience. Although youth embody the means and assets that societies need to build prosperous futures, societies will only realize these gains when they invest in youth development. Youth assets are both *internal* (e.g., self-motivation, responsibility, decision-making) and *external* (e.g., safe schools, caring neighborhoods, parental involvement, positive peer influence) that facilitate their ability to succeed regardless

BUILDING YOUTH RESILIENCE IN POOR AND CONFLICT-AFFECTED COUNTRIES

In very low-income or conflict-affected countries, research has found that conventional notions of 'jobs' are often no longer applicable, in either the public or private sector, making it important to understand the adaptive and coping strategies that enable people to survive, earn and work in a variety of different ways. This is particularly important for youth, whose energy and creativity are vital to sustain the kind of small, informal enterprises that fill the economic vacuum left by lack of infrastructure and large scale investment.[30] Rather than focusing on just jobs or skills training, USAID also brings together the various elements needed to develop a range of motivational and coping skills.

In Haiti, the Haitian Out of School Youth Livelihood Initiative incorporated technical elements from basic education, economic growth, PEPFAR/OVC, conflict mitigation and food assistance to improve livelihood preparation for out-of-school youth and build a long-term implementation network to support them. By building both youth and community-level resilience, the program enables youth to better cope with the violence and poverty that is endemic to Haiti and help communities to recover from hurricanes and the earthquake that devastated the country.

In Honduras, the escalation of narco-violence and gang-related crime, together with cross-border trafficking from Colombia, Venezuela, and Mexico has resulted in unparalleled levels of extortion and violence. Poverty and corruption, plus the inability to create secure communities have left young people particularly vulnerable to engaging in gang violence and petty crime. USAID Honduras is implementing a cross-sector program that includes juvenile justice, municipal crime prevention and security infrastructure, and services for youth-at-risk in order to foster youth resiliency, focusing on increasing the ability of young people, many of whom are recent arrivals, to absorb shocks and overcome the challenges of poverty, insecurity and violence.

[29] One framework of child and youth developmental assets was created by the Search Institute based on over 2 million surveys. See Search Institute website for further details.
[30] IDRC, 'Social Innovation towards Sustainable Livelihoods for Youth,' 2000.

of gender, socioeconomic status and ethnicity. Studies show that young people who possess more assets (both internal and external), many of which have a foundation in early experiences, are less likely to engage in risky behavior and more likely to thrive, even in challenging environments.[29] Resilience focused programs should also be informed by USAID's forthcoming Policy and Program Guidance: *Building Resilience in Areas of Recurrent Crisis.*

Account for Youth Differences and Commonalities. Youth are as diverse as the societies in which they live. Their ability to thrive and succeed is affected by such factors as economic status, gender, marital status, disability, sexual orientation, ethnicity and religion. At the same time, the transmission of global culture through media, technology and migration unite youth and promote shared generational experiences. Targeted assessments are needed to develop youth strategies and programs that respect and respond to different youth needs, capitalize on commonalities, and ensure protection and opportunity for all young people, especially those who are marginalized and vulnerable. Programs must also respond to existing policy directives related to specific groups such as LGBT or disabled youth.

Create Second Chance Opportunities. Youth development is greatly affected by many factors; including but not limited to, conflict, crisis and natural disasters, extreme poverty, labor exploitation, disability, HIV/AIDS, early marriage and/or child-bearing, or lack of family care. Second chance programs – which for many are "first chance" programs – provide hard-to-reach youth with opportunities to develop skills, broaden their social networks, and experience a greater sense of safety and belonging. By successfully responding to the exploitation and abuse of youth—whether from armed groups, criminality, child marriage, or human trafficking, communities not only build individual opportunity but provide a foundation for long-term social stability and prosperity.[31]

Involve and support mentors, families, and communities. Youth development requires the involvement of multiple actors and systems, including families, schools, faith-based groups and community-based organizations as well as businesses and government institutions. Families and communities provide the primary level of support for youth development that is reinforced by health, education, and other systems. At the same time, attention and effort should be applied to ensure adults are prepared to listen to and effectively work with young people. Research shows that feelings of "connectedness" gained in schools and/or family is central to steering clear of risky behavior.[32] Where youth have fallen outside family care or formal systems, strong communities and non-formal networks and institutions are especially critical. U.S.-based research has shown that mentors provide important support and guidance for youth and that safe, well-run mentoring programs increase youth engagement in positive social relationships, increase academic achievement and school engagement, and contribute to more positive outlooks among youth.[33,34] International youth experts suggest that support of youth by caring, consistent adults is essential for youth who have been affected by conflict or disaster.

INVOLVING TEACHERS AND PARENTS TO CREATE SAFER SCHOOLS

In Tajikistan, where UNICEF reports that 23.3 percent of students feel a daily sense of hopelessness, and as many as 25 percent skip school owing to school-based violence and threats to their personal safety, USAID/Tajikistan aimed to improve attendance and learning outcomes by supporting a Safe Schools project. Community members (including students, teachers, and parents), NGO staff, and government officials in education, health, social welfare, were trained to reduce violence and gender-based violence by addressing students' basic safety needs. As a result, the understanding of gender-based violence across communities, along with their willingness to prevent it, has improved by nearly 25 percent.

Pursue gender equality. USAID's Youth in Development Policy is strongly committed to achieving gender equality. Promoting sexual and reproductive health of young people, reducing unplanned pregnancies and improved levels of education and earnings of young women are essential to establishing conditions for broad societal change, including the demographic dividend. Sex and gender differences emerge most sharply with the onset of puberty, affecting the life trajectories of girls and boys in profoundly different ways. In many societies, adolescent girls and young women have less opportunity and fewer resources than young men: less food, schooling and medical attention, less access to paid employment and less free time, along with a strong potential to be married off before the age of fifteen.[35] When puberty

[31] Women's Refugee Commission (Sep. 2009).
[32] Cunningham, et. al. 2008, World Bank.
[33] In the U.S., a caring consistent adult mentor has been found to be the most important asset for ensuring positive youth development. Theokas & Lerner (2006); Larson (2000); Herrera, C. et. al, (2007).
[34] Tierney, J.P., Grossman, J.B. & Resch, N.L. (1995). Rhodes, Spencer, Keller, Liang, & Noam. (2006). Childtrends (2002).

[35] 1 in 3 girls in the developing world are married under the age of 18, and 1 in 7 is married before her 15th birthday. Forty-six percent of girls under 18 are married in sub-Saharan Africa; 38 percent in South Asia; 21 percent in Latin America and the Caribbean; 18 percent in the Middle East and North Africa. UNICEF (2011).
[36] Buvinic, M. et. al. (June, 2007); Barker, G. (2000)

CAPTURING "THE GIRL EFFECT"

Girls make up 70 percent of the world's out of school youth and strategic investments in girls' education and health represent an enormous opportunity to improve their lives. For each additional year a girl remains in school beyond the fourth grade, her wages rise 20 percent, and if she receives seven or more years of education, she will marry four years later and have 2.2 fewer children. Since women reinvest 90 percent of their income in their families, investing in girls has a multiplier effect, as successful girls and women contribute to healthier and more prosperous families and communities. Led by the work of the Nike Foundation, the Coalition for Adolescent Girls, and others, this phenomenon has become popularly known as "the girl effect."

USAID is increasingly investing in programs to unleash the potential in girls. For example, knowing that girls will have a greater impact in their communities if they are trained to become leaders, the Power to Lead Alliance – a public-private partnership with CARE – enhanced the leadership skills of girls in vulnerable communities in Egypt, Honduras, India, Malawi, Tanzania and Yemen.

signals their potential for motherhood, girls may have to drop out of school to marry and begin childbearing. Young women and girls are also highly vulnerable to sexual exploitation and gender-based violence. While adolescence for boys can be a time for expanded participation in community and public life, it is also a time when some young men face increased health risks or are socialized in ways that lead to violence and discrimination against women or other young men.[36] Yet, young women and men everywhere are re-fashioning gender norms for the 21st century, and development partners must work with youth as well as adults in the community to create more opportunity for both young men and women, boys and girls.

Embrace innovation and technology by and for youth. As 'digital natives,' today's young people have more access to information, networks, new technologies, and new forms of communication than previous generations. Though millions of youth still live and go to school beyond the reach of the Internet, with the help of mobile phones, the technology gap can and must continue to close. Greater access to technology contributes to young people's abilities to generate solutions and find opportunities and resources formerly out of reach. When combined with increasing scientific and technical know-how, connective and Information technology accelerates development innovation and stimulates positive, equitable change. When young people's creativity is supported and they have space to share ideas and network, they become innovative partners in development.

Students in Kenya participate in playing a mobile game that teaches them the importance in making good choices as part of the Half the Sky Movement which USAID supports.

Credit: Ed Owles, Worldview

SHAQODOON – USING MOBILE PHONES FOR WORKFORCE DEVELOPMENT IN CONFLICT-AFFECTED ENVIRONMENTS

In Somalia, the USAID-funded "Shaqodoon" (Somali for "job seekers") project provides at-risk youth in Somaliland, Puntland, and South-Central Somalia with access to training, internships, work, and self-employment by working with employers to identify demand and then assisting education and training providers to develop programs more focused on meeting demand. The project uses innovative technology to help achieve its goals: Shaqodoon is producing interactive, Somali-language audio programs on financial literacy and entrepreneurship and linking youth to opportunities through the use of cell phones and web-based technologies. The Shaqodoon SMS/text message-based InfoMatch service connects youth with jobs, internships, and trainings – all through their mobile phone. The project has directly impacted nearly 10,000 Somali youth – with training and gainful employment.

[37] Girls Count, Center for Global Development (2009) and The Girl Effect Fact Sheet. Available at www.girleffect.org

V. OBJECTIVE TWO: INTEGRATING AND MAINSTREAMING YOUTH

This policy conveys the vital importance of smarter, inclusive, coordinated investments in youth that will significantly contribute to attaining USAID's development outcomes and support our partners to realize demographic dividends. It underlines the need for greater integration and mainstreaming of youth across the Agency's work, which can be achieved by employing three main approaches: mainstreaming youth into core initiatives, ensuring youth issues and participation are integrated throughout the pro-

MAINSTREAMING YOUTH IN PRESIDENTIAL INITIATIVES

Global Health Initiative (GHI): While adolescence is generally considered a healthy time of life, many young people in the developing world face significant reproductive and sexual health risks due to early sexual initiation and/or unprotected sexual activity. In low income countries as many as one in six births occurs to a young woman aged 15 to 19, often at great risk to both mother and child. Half of all new HIV infections occur in people under age 25, and in countries with a generalized epidemic, young women are often infected at a much higher rate than young men. The Global Health Initiative aims to reduce from 24 to 20 percent the proportion of young women aged 18-24 who have their first birth before age 18. Many of PEPFAR's efforts to ensure an AIDS-free generation focus on reaching young people with HIV prevention information and services to decrease their risk of HIV infection, as well as earlier diagnosis and appropriate treatment of HIV in young people, especially to reduce their risk of horizontal and/or vertical transmission of HIV.[38]

Feed the Future (FTF): Inclusive agriculture sector growth is a cornerstone of the FTF approach to food security and hunger. Recent studies suggest that every one percent increase in agricultural income per capita reduces the number of people living in extreme poverty by between 0.6 and 1.8 percent. FTF strives to increase agricultural production and the incomes in rural communities who rely on agriculture for their livelihoods. Investments in inclusive agriculture-led growth encompass improving agricultural productivity, expanding markets and trade, and increasing the economic resilience of vulnerable rural communities. FTF seeks to unleash the proven potential of small-scale agricultural producers to deliver results on a large scale. Given demographic realities and workforce composition, country-level FTF strategies and projects are increasingly targeting youth with vocational education, agricultural extension, training, resources and platforms for participation. In Ethiopia, for example, as part of USAID's efforts to build resilience in and reduce vulnerability in drought prone areas, FTF will support a rural workforce development program that engages youth and vulnerable households dependent on pastoral livestock systems for their livelihoods.[39]

Global Climate Change Initiative (GCCI): Through its climate change work, USAID is committed to engaging and preparing young people as a constituency for policy change, as innovators, and as the emerging green industries workforce. As stated in its 2012 Climate Change and Development Strategy "USAID will reach out to engage youth at home and abroad as thought partners and will build a dialogue with youth constituencies regarding climate change…Recognizing the active manner in which this constituency is already engaging in such international forums as the Rio 2012 conference on sustainable development, USAID's climate and youth experts will work together to partner with youth organizations to bring awareness to the impacts of climate change on youth and the opportunities it poses for young entrepreneurs, advocates, students, and others."[40]

[38] See www.ghi.gov

[39] See www.feedthefuture.gov
[40] USAID Climate Change and Development Strategy, 2012

gram cycle, and applying relevant USAID Forward reforms and operational processes to youth.

Mainstreaming Youth through Planning and Design

At the country level, the primary planning tool is the CDCS. CDCS Guidance states that Development Objectives (DO) should integrate approaches, principles and resources from various sectors and sources to achieve a common objective, such as community-based stabilization, youth development and empowerment, improved economic governance or effective social service delivery, and endeavor to integrate issues such as gender, youth, and capacity building.[41] In accordance with CDCS guidance, operating units should engage youth in consultations and include youth issues as appropriate in parameter-setting, development objectives and results frameworks. USAID's *Project Design Guidance* includes youth analysis as an optional component and recognizes youth as key stakeholders for consultation. In addition, certain missions may be asked to discuss how they considered youth in their budget requests.

YOUTH IN USAID COUNTRY DEVELOPMENT COOPERATION STRATEGIES

CDCS Guidance states that youth is to be considered in formulating a mission's DO, asking: "Does the DO consider the particular issues associated with youth?" With regard to a multi-sector DO, CDCS Guidance further states: *"Multi-sector DOs:* Integrates technical approaches, principles, and resources from various sectors and sources to achieve a common objective such as community-based stabilization, youth development and empowerment, improved economic governance or effective social service delivery…DOs and Intermediate Results should attempt to integrate issues such as gender, youth, and capacity building."

For example, Ethiopia's CDCS includes a Development Objective (3) to "Improve Learning Outcomes". Historically, the majority of Ethiopians have not had the benefit of formal education and/or training: 20 million youth have not been taught basic skills such as literacy, numeracy, critical thinking, decision-making and rational analysis, especially in rural areas. An estimated three million primary school-aged children and over 20 million youth are outside of the formal school system, and a large proportion of out-of-school youth have had no education at all (84 percent in rural areas; 33 percent in urban areas). Ethiopia has one of the highest urban youth unemployment rates at 50 percent and there is a high rate of youth under-employment in rural areas, where nearly 85 percent of the population resides. Thus, the need to address skills training for out-of-school youth is urgent. Recognizing that the large youth population in Ethiopia presents another specific challenge to the education system, the CDCS also includes an Intermediate Result (3.2) to "Improved Workforce Skills Development," and youth is also listed as a cross-cutting consideration for the whole DO.

USING THE DEVELOPMENT CREDIT AUTHORITY (DCA) TO SUPPORT YOUTH

Beyond traditional projects, USAID has the ability to leverage its resources to support young people in innovative ways. For example, banks are often reluctant to lend to young entrepreneurs because they lack credit history, have insufficient collateral, and have no history of profitability. In 2012, USAID/Kosovo's Young Entrepreneurs Program invested $246,000 through the Development Credit Authority (DCA) spurring a local bank to lend up to $2.1 million to Kosovar youth, fostering entrepreneurial opportunities and stimulating local economic growth and job creation.

Leverage Procurement Tools, Financing Mechanisms and Strategic Partnerships

By applying USAID Forward implementation and procurement reforms, USAID can expand support for local grassroots youth-led and youth-serving organizations, and strengthen the capacity of relevant host country ministries to provide more effective youth services. USAID should also seek to increase youth activities in partnership with other donors, as well as the private sector through mechanisms such as the Development Credit Authority, Global Development Alliances, and Development Innovation Ventures. As these initiatives are tested and proven effective, USAID will explore scaling up through innovative financing and partnerships with public and private institutions and communities at large.

[41] *CDCS Guidance Version 3; per Agency Executive Message 9/12/2011*

Monitoring, Research and Learning

USAID and other donors and partners have accumulated a significant body of knowledge, best practices and lessons learned that have influenced the objectives, framework and principles presented in this policy. Remaining gaps in knowledge and evidence require rigorous research and evaluation to expand and nuance the collective knowledge base about effective youth programming in developing countries. To drive increased evaluation and learning, USAID will better track and monitor investments, strengthen efforts to collect age disaggregated data and utilize youth specific indicators. Practical knowledge is particularly strong in the areas of youth skills development, livelihoods, and financial services; school dropout prevention and educational achievement; health knowledge and behavior change (pregnancy, HIV and maternal child health); civic engagement; and conflict and crime prevention. More limited evidence is available on youth and food security and climate change. Similarly, deeper research is warranted on quantitative, cost-benefit impact of cross-sector and more holistic programming.

In collaboration with the other agencies of the USG, other donors and partners, USAID will expand learning efforts around youth development to improve results-driven programming. In accordance with USAID's Evaluation Policy, all youth programs falling at least within the median of the mission portfolio will be evaluated by a third party and the results will be shared within country and across the Agency.[42] USAID/Washington will work with missions to identify and mobilize resources for impact evaluations of critical youth interventions for which we need definitive judgments of effectiveness.

YOUTH IN THE STATE DEPARTMENT/USAID FOREIGN ASSISTANCE "F" FRAMEWORK

Recognizing the need to more consistently track and monitor youth programming, a Key Issue for youth in the F Framework was revised and reclassified in 2011. As a specifically cross-cutting issue, with its own category ("M"), this Key Issue for Youth Development (YDV) is now defined as "Youth Development activities support, protect, prepare, empower and engage youth, aged 10-29 years, (including adolescents and young adults) for participation in civil society, work, and family life; and enable them to participate in addressing the development challenges of their communities and nations. Youth development activities can be programs, partnerships, policy reform, institutional strengthening, grant-making, and research and evaluation that actively and constructively involve and support young people. These activities help develop the knowledge and skills, attitudes, networks, resilience, systems, assets and resources youth need for successful transition to adulthood. They may be in any sector, including health, education, economic opportunity, democracy and governance, peace and security, food security and climate change."

[42] *The Evaluation Policy (January 2011) requires missions to identify at least one opportunity for an impact evaluation for each development objective of their CDCS (p.6). http://www.usaid.gov/evaluation*

VI. AGENCY ROLES AND COORDINATION

This policy challenges USAID to integrate and mainstream critical priorities concerning youth across its programming, and to more aggressively seek and plan for effective, evidence-based youth programming.

USAID currently has no formal structure or Agency-wide funding source for youth development, and therefore it has been a challenge to mainstream, integrate, and coordinate youth activities.[43] To improve coordination, accountability, transparency, and management of USAID's youth portfolio:

- AID/A will designate an Agency coordinator responsible for youth development issues to advocate for and integrate youth into Agency Initiatives, oversee policy coherence, support implementation and training, and to serve as a senior representative on youth issues in the interagency and external community, in coordination with bureaus, missions, and other relevant Agency coordinators.
- Relevant USAID Washington bureaus and programmatic offices will designate and hold accountable a youth portfolio lead to coordinate youth programs and issues within the bureau or office, and to lead future efforts and provide technical support to missions.

The coordinator and bureau and office leads will be empowered to work collaboratively to develop tools, action plans, and provide technical support for policy implementation. The group will leverage existing agency platforms to build out its community of practice. They should develop an action plan that should include the following elements: developing indicators, organizing an evidence gathering exercise, identifying opportunities for increased training, and facilitating youth engagement activities. The plan would also identify specific opportunities for collaboration with the State Department, Peace Corps, Department of Labor, and other USG agencies.

USAID Missions that prioritize youth should designate a youth portfolio lead to ensure high standards and evidence-based approaches to youth programming, address policy implementation issues in country, promote local youth input into USAID planning, liaise with Washington-based youth activities, and to facilitate interagency coordination. Missions prioritizing youth are strongly encouraged to establish youth working groups composed of technical sector experts to ensure cross-sector synergy in youth activities as well as adequate funding. Improved collaboration among USG agencies and other development agencies through, for example, joint funding or programming around youth development will advance expected outcomes.

As USAID is committed to inclusive management and leadership, the Agency will also seek to expand platforms for youth participation and engagement within the Agency to "walk the talk," and benefit from perspectives offered by younger professionals – including for example supporting young professional affinity groups, Junior Officer programs overseas, and mentoring programs in line with USAID Forward targets.

[43] *In September 2012, USAID established a Center of Excellence on Children in Adversity within its Global Health Bureau to lead its developmental protection work regarding 0-17 year olds facing adverse conditions.*

VII. CONCLUSION

This policy challenges USAID to integrate critical priorities concerning youth into the mainstream of its programming, to more aggressively seek and design effective, evidence-based youth programming, and to increase the participation of young people in its work.

Because this elevated approach is relatively new, we recognize that practices will be developed and refreshed over time as the Agency implements this policy. Nevertheless, over time, USAID expects to see change in a number of ways. For example, at the planning level, youth should be more strategically and prominently featured in CDCS and other policies and strategies. With expanding youth portfolios, the number of dedicated technical youth specialists in regional and pillar bureaus and offices is also expected to rise. Youth programs at USAID are funded by multiple bureaus, missions and initiatives, and funding toward youth programming from existing resources is likely to increase, especially in high youth population countries. The evaluation, research, and learning agenda will yield an enhanced body of knowledge around what works in youth development and how to increase impact. As best practices for youth development are garnered and assimilated into institutional practice, USAID will transform program design and implementation with better results using fewer resources.

Youth are the major stakeholders of today and tomorrow. It is essential that their ambitions and aspirations become part of the current development paradigm. The USAID Policy on Youth In Development is a critical step towards a fresh approach to development, one that proactively ensures youth can fulfill their dreams for prosperity, freedom, and justice.

At the inauguration of a USAID-funded market in Port-au-Prince, Hatit, rich frescoes painted by local artists flanked the walkways and interior walls.

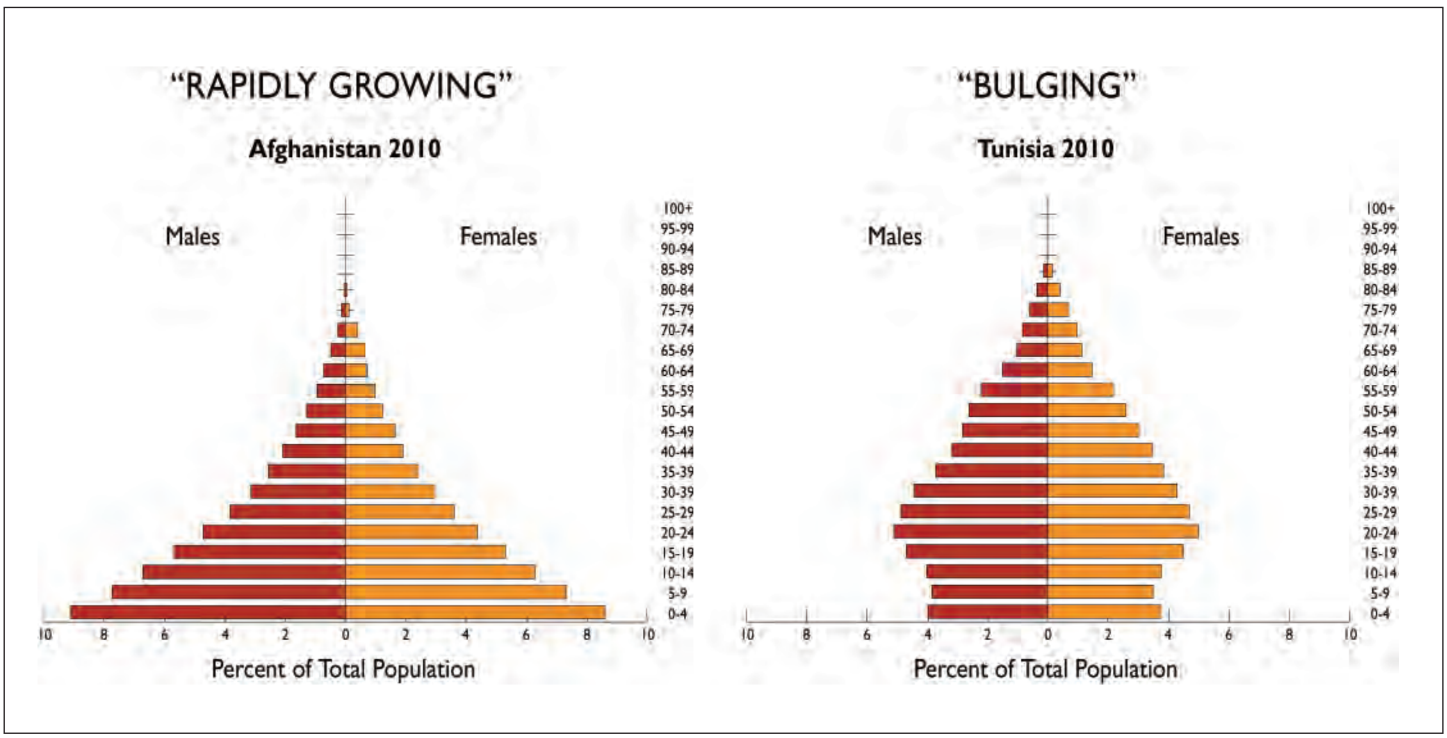
Source: Andrea Edwards/CHF International

Annex A: Factors for Selectivity and Focus

Consider demographic trends. Understanding the population structure for a country – whether there is a majority youth population today or increasingly large and growing youth population – will help missions pinpoint appropriate development objectives that may involve or affect youth.[44] The population pyramids (below) show two types of age structures that are common in the countries where USAID works. Afghanistan has high birth rates and a "rapidly growing" young population. It will have a young population for decades to come, but there is not likely to be a large "youth bulge" unless there is a rapid acceleration of declines in fertility.[45] In contrast, Tunisia rapidly reduced its fertility as it went through the demographic transition and has a significant youth "bulge." (Annex C shows select USAID countries with youthful populations e.g. percentage of population under age 15 and percentage of population aged 10-24.)

"Growing" countries have a significant proportion of their population under the age of twenty-five. These countries are in the early stages of the demographic transition and will have large youth populations for the next 40-50 years. In growing countries, missions should by invest in health and education systems for children and youth, and create favorable and enabling policy and institutional environment for future youth development. Youth participation and programming should be integrated across the portfolio to reap more near-term development outcomes. Growing countries include Bolivia, much of sub-Saharan Africa, Haiti, and Pakistan.

"Bulging" countries have low birth rates and large youth populations. These countries will transition in the next 10-20 years to a situation where birth and death rates equalize. Before reaching that point of stability however, these countries will experience a sustained "youth bulge," requiring urgent attention to and investment in youth development. Missions in these countries should mainstream youth into their strategies and prioritize the immediate – and sometimes acute – youth needs in employment, education, health, civic and political participation. Bulging countries include Jamaica, most Middle East and North African countries, Vietnam, Bangladesh, and Uzbekistan.



[44] Leahy, E. et. al., (2007)
[45] Population pyramids 2010 and projections for most countries can be found at: http://esa.un.org/unpd/wpp/population-pyramids/population-ryramids_absolute.htm

Identify country specific indicators with social, economic and political contexts:
There are no internationally recognized youth development indices at present.[46] There are, however, many sector indicators that will suggest whether, when and how to program for youth development and engagement. A significant number of unemployed youth, for example, suggests a need for workforce readiness, livelihood creation and entrepreneurship projects for youth. Fragile, conflict, post-conflict, or disaster environments must include youth in stabilization, humanitarian efforts and peace building. High rates of early pregnancy and/or HIV infection among youth suggest the importance of reproductive and sexual health education and services.

Incorporate needs by age: The stage of development along the life span will strongly determine the type of intervention selected.[47]

- **Early Adolescence (10-14 years):** This is a critical time to build on previous investments in child health, nutrition, and education, and to lay the foundation for life skills, positive values, and constructive behaviors. The onset of puberty makes reproductive health and maturation an important area of focus. As the brain is now primed to learn new skills, developing critical thinking skills is essential. Vulnerabilities–especially for girls–may be particularly acute, so protection efforts should be emphasized. Appropriate interventions will include preventing child labor, school drop-out, early marriage, pregnancy and sexual exploitation, and expanding learning opportunities, promoting gender awareness and tolerance for diversity.
- **Adolescence (15-19 years):** These years are critical to sustain and expand health and education gains, protect against rights' abuses such as trafficking, exploitation, or hazardous work, and prepare youth for citizenship, family life and the workforce. Programming includes health education for healthy lifestyles, promotion of positive gender norms, provision of youth-friendly reproductive health services, academic retention and vocational education, financial literacy and saving, soft skills and service learning, mentoring peer networking, civic engagement opportunities, and legal rights' education. Second-chance opportunities that allow disaffected youth to reconnect or reintegrate into school and society are particularly important.
- **Emerging Adulthood (20-24 years):** As behaviors form with last brain development, programs should continue to support positive and constructive decision-making and build resilience. Second-chance opportunities are still important. Examples of relevant programs include advanced education and job-specific training, life and leadership skills, livelihood and citizenship opportunities, asset accumulation, and reproductive and maternal health, family support.
- **Transition into Adulthood (25-29 years):** Although physical maturation is largely complete, learning continues. Programs should link youth to employment and civic engagement opportunities, as well as enable youth to build assets and provide economic, health and social support for family life (housing for example). In post-conflict situations, programs that provide accelerated learning opportunities to make up for lost years due to war, and psychosocial support programs are often needed.

[46] In 2011, the UN convened an Expert Group to develop quantitative indicators of performance against its World Program of Action on Youth. From 2003 – 2005, the UN convened a group to standardize measurement of youth development based on the Human Development Index. Using four indicators: Health (percentages of the population with access to potable drinking water as well as knowledge of HIV/AIDS); Knowledge (literacy rates and completion of a secondary education); Decent Standard of Living (youth unemployment rates and the number of youth living on less than $1 a day); and Participation (national voting age and the presence of representative national youth organizations), a Youth Development Index (YDI) was conceived though never formally adopted.
[47] Developmental protection programming for those aged 10-17 years should incorporate guidance and adhere to in the U.S. Government Action Plan on Children in Adversity.

Annex B: Project Specifics: Illustrative Youth in Development Project Types

Sector	Cross-sectoral & Integration	Systems
Utilizing best practice for specific interests and modalities for addressing sector-specific needs. Examples of well-established sector programming for youth include: ■ Workforce training programs that combine technical & employability skills development with on-the-job training, counseling & job search support. ■ Peer sexuality education programs & youth-friendly reproductive health services. ■ Agriculture extension for young farmers. ■ Accelerated, flexible learning programs for youth to enable primary or secondary level completion. ■ Conflict mitigation training for youth. ■ Voter education campaigns to target youth ("Rock the Vote"). ■ Awareness campaigns and protection programs to prevent and respond to sexual and labor exploitation.	**Agency stakeholders in different sectors working together on concrete assessments, projects, evaluations – towards multiple development outcomes.** Examples of promising cross-sectoral collaborations: ■ School-based programs that address health, nutrition, employment, & civic participation needs of youth. ■ Youth livelihood programs targeted to youth at risk for HIV. ■ Awareness campaigns around Girls' rights and child marriage. ■ Agricultural programs that coordinate with nutrition, women's empowerment and environmental programs. ■ Computer training for ICT-sector jobs for former child soldiers in post-conflict countries. ■ Safe Spaces that may provide multiple services including legal aid, informal education, health guidance, sport and play, and computer access. ■ Service learning and volunteerism projects that build leadership, citizenship, and life skills. ■ Sports programs for leadership, reconciliation, and health.	**Building sustainable local and national institutions, policies and systems to support youth at scale, involving diverse stakeholders concerned with youth.** Examples of systems programs: ■ Developing and sharing a vision of youth development across systems (education, justice, health, etc.). ■ Tracking of common youth indicators across sectors. ■ Building system capacity for coordination across all sectors. ■ Enabling access to and consolidation of research and new approaches across systems and sectors. ■ Coordinating youth-serving organizations for improved efficiency and outreach to under-served youth. ■ Strengthening the capacity of mentors and community youth advisors. ■ Supporting the development of national youth policies, and strengthening national and municipal youth institutions. ■ Creating and supporting networks among youth. ■ Creating awareness campaigns around gender-based violence and exploitation in communities and schools.

Annex C: Top 40 USAID Countries: "Rapidly Growing and Bulging" Populations as % of Total, 2010

USAID Countries with Youthful Populations

USAID Countries with Youthful Populations	% of Population under 15	% of Population aged 10-24
Afghanistan	46	32
Albania	23	21
Angola	28	33
Azerbaijan	22	20
Bangladesh	31	27
Benin	44	32
Botswana	34	34
Burkina Faso	45	34
Burundi	46	33
Cambodia	33	29
Cameroon	43	31
Cape Verde	32	29
Central Africa Republic	40	34
Chad	46	34
Comoros	43	31
Cote d'Ivoire	41	32
Democratic Republic of Congo	46	34
Djibouti	36	31
El Salvador	32	26
Eritrea	42	33
Ethiopia	41	33
Gabon	36	31
Gambia	44	30
Guatemala	41	32
Guinea	43	33
Guinea-Bissau	41	34
Haiti	36	30
Honduras	38	28
Iraq	43	30
Jordan	37	27
Kenya	42	33
Kyrgyzstan	30	25
Laos	38	30
Lesotho	37	35

Annex C: Top 40 USAID Countries: "Rapidly Growing and Bulging" Populations as % of Total, 2010

USAID Countries with Youthful Populations

USAID Countries with Youthful Populations	% of Population under 15	% of Population aged 10-24
Liberia	43	34
Madagascar	43	32
Malawi	46	35
Mauritania	40	32
Mongolia	27	24
Mozambique	45	34
Namibia	36	30
Nepal	36	28
Nicaragua	35	28
Niger	52	33
Nigeria	44	33
Pakistan	35	28
Republic of Congo	41	34
Rwanda	42	22
Senegal	44	31
Sierra Leone	43	32
Solomon Islands	40	32
Somalia	45	32
South Sudan	44	n/a
Swaziland	38	35
Syrian Arab Republic	36	28
Tajikistan	37	28
Tanzania	45	32
Timor Leste	42	n/a
Togo	41	32
Turkmenistan	29	24
Uganda	48	34
Uzbekistan	29	25
Viet Nam	24	23
West Bank/Gaza	42	32
Yemen	44	33
Zambia	46	35
Zimbabwe	43	33

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U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
youth@usaid.gov

www.usaid.gov/results-and-data/planning/policy

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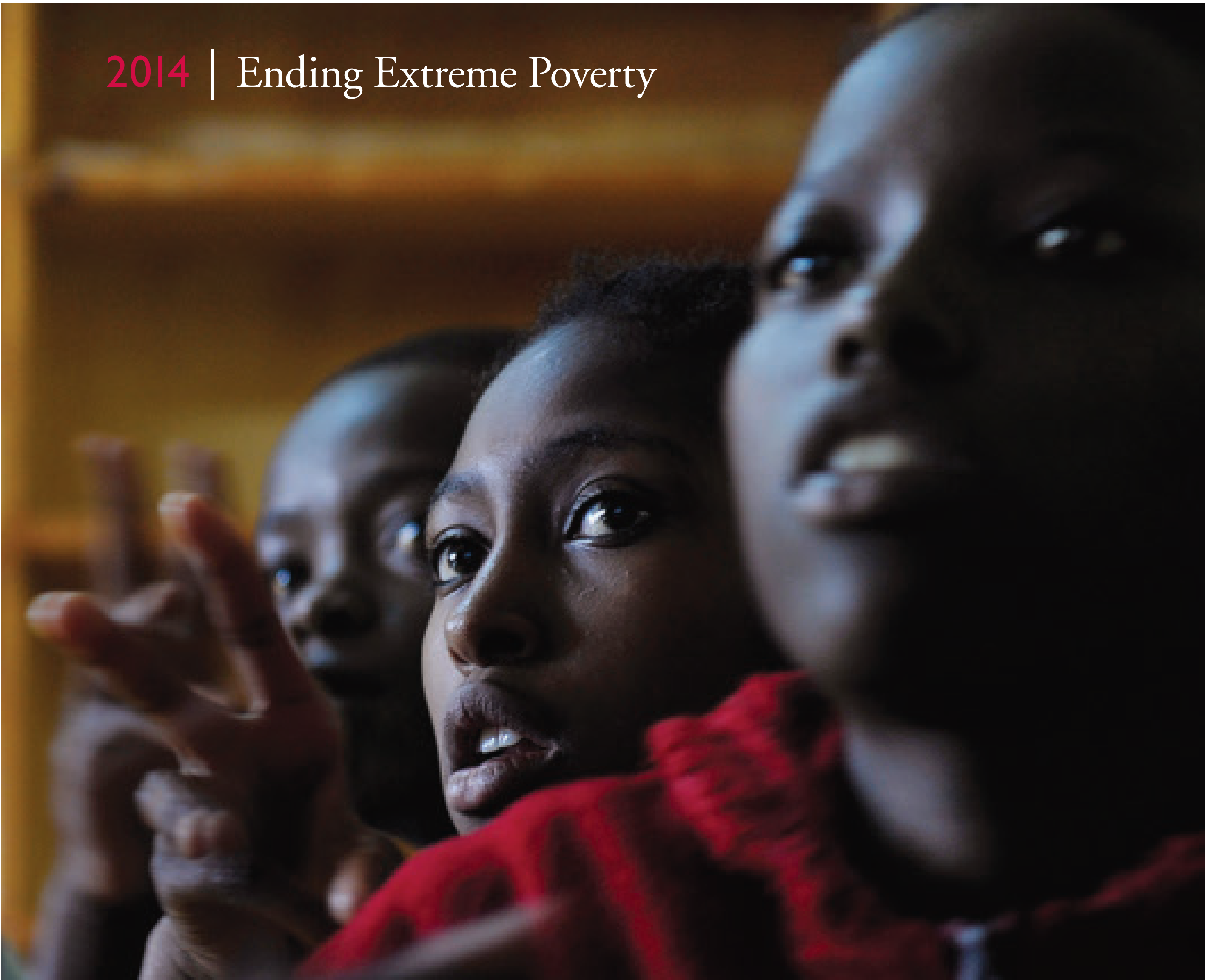
USAID FRONTIERS IN DEVELOPMENT

2014 | Ending Extreme Poverty



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STEPHEN O'CONNELL | GLORIA STEELE | EDITED BY RAJIV SHAH & NOAM UNGER

"Since the dawn of humanity, extreme poverty has crowded at the heels of progress—stifling hopes and undermining growth across the centuries. Today, we stand within reach of a world that was simply once unimaginable: a world without extreme poverty."

RAJIV SHAH, THE BROOKINGS INSTITUTION, NOVEMBER 21, 2013

USAID FRONTIERS IN DEVELOPMENT

2014 | Ending Extreme Poverty

Edited by Rajiv Shah and Noam Unger
U.S. Agency for International Development

PHOTO: NOAH SEELAM / AFP

PHOTO: TONY KARUMBA / AFP

Contents

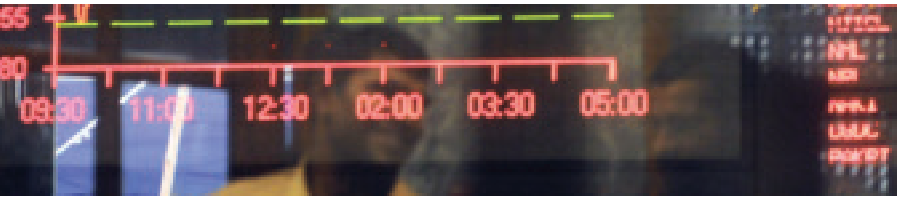

PHOTO: RIZWAN TABASSUM / AFP

Section 3: Catalyzing Growth and Investment

Section 4: Going Forward (Without Going Backward)

Foreword

Two years ago, USAID convened a forum and published an associated volume of essays, all under the banner of an effort called Frontiers in Development. It was designed to encourage forward-looking, provocative discussion and debate that could advance development policy and practice across the full range of relevant actors.

The ultimate outcomes of such conferences can take time to unfold and are sometimes difficult to attribute. Yet these high-profile efforts are precisely where new ideas, approaches and commitments are teed up and shared, giving stakeholders across the development community opportunities to align politics, policy and practice.

Frontiers in Development served an internal function as well. The associated churn of ideas—especially around science, technology, innovation and partnerships—has informed much of USAID's work, including the Agency's approach to bolstering resilience and efforts around its recently established Global Development Lab.

USAID has now chosen to build upon the underlying Frontiers in Development concept. Again the Agency is bringing together many of the world's brightest minds and boldest leaders to engage in a dialogue on development. Accompanying the dialogue, and contributing to the critical exchange of ideas, is this new book of essays.

The 2014 Frontiers in Development Forum focuses on ways the U.S. and its partners worldwide can help eradicate extreme poverty. It is a particularly interesting and important time for wrestling with this set of issues. As countries and other global development actors come together to shape the post-2015 Development Agenda—a new set of time-bound targets to succeed the Millennium Development Goals—the elimination of extreme poverty by 2030 is likely to be a central aim.

Not only does this goal strike at our collective conscience, it appeals to our ambition and connects to a heartening reality: In 1990, more than twice as many people suffered from extreme poverty around the world than do today.

As several of this book's essays point out, progress over the past couple of decades has given us reason for hope, and gains against extreme poverty have given us reason to redouble our efforts to work with partners and seek out solutions that can deliver even more progress.

Secretary of State John Kerry's overview reflects upon today's pivotal moment and underscores the connections between development and climate efforts. An introduction then addresses our chosen focus on extreme poverty and how we are approaching this mission. Subsequent sections of the book take readers on a tour through many of the challenging issues and ideas associated with tackling extreme poverty.

These essays are intended to encourage discussion and provoke debate on critical issues associated with ending extreme poverty.

As the world continues to make progress in reducing extreme poverty, will this pace necessarily decelerate or might it accelerate? Laurence Chandy and Homi Kharas explain these dueling narratives at the start of a section of essays that examine extreme poverty's multidimensionality and its connections to key issues like fragility, the importance of focusing on women and girls, and in the case of a piece by Winnie Byanyima, inequality.

Throughout the book, contributions home in on specific programs, projects and country settings. They include interviews with USAID personnel in the Democratic Republic of the Congo and the Philippines.

Development efforts at all levels must contend with the politics of societies and priorities. Where hard choices are necessary, so is leadership. Another set of essays deals with related issues ranging from capacity and culture to corruption. As Larry Garber emphasizes, where extreme poverty remains prevalent, those countries' policies (and our own) deserve critical attention. So we must ask what it means to think and work politically. This group of essays provides insights from global perspectives as well as local examples, including agricultural subsidies in Malawi, social capital in Liberia and cartels in South Africa and Mexico.

A discussion of supporting competitive markets then leads into a section about catalyzing growth and investment. Stephen O'Connell, for example, uses a historical lens to examine opportunities for pro-poor economic growth and smart redistribution policies. Other essays present ideas, as well as examples, on how to best employ aid to catalyze the sound investments and higher-functioning markets that reduce poverty.

As developing countries and their partners make progress on inclusive growth and targeted efforts to address extreme poverty, it is essential to protect those development gains. This imperative connects the book's last set of essays. Judith Rodin and Nancy Lindborg advance the concept of resilience and its practical application in the face of undermining challenges such as climate change, disasters, fragility and conflict. Ariel Pablos-Méndez highlights the importance of sustaining momentum through equitable health financing that reduces high out-of-pocket spending.

An essay by Andrea Halverson also addresses health. She uses the example of Côte d'Ivoire to emphasize the significance of investments in family planning and associated economic benefits through demographic dividends. In the final essay, Tony Pipa addresses the importance of adapting to a changed landscape of development finance, a shift that is key to moving forward without sliding backward.

Although this book includes contributions by well-known leaders, thinkers and practitioners, it also includes voices you may not recognize. Some essays were selected through a contest open to USAID staff around the world. After multiple rounds of assessment by reviewers and an editorial board who were unaware of author names, bureaus or missions, 12 essays were chosen.

A majority of the contest submissions and most of the winning essays were penned by authors in the field, including two foreign service nationals. This reflects a welcome level of engagement and a desire among USAID staff to wrestle with ideas in this format.

The essay on agricultural growth and nutrition by Neal Donahue and Ilisa Gertner was selected through an external contest open to the public and run by Devex in partnership with USAID.

These essays do not necessarily reflect the official positions of USAID or the U.S. Government, nor were they selected based on support for official views and approaches. Rather, they are intended to encourage discussion and provoke debate on critical issues associated with ending extreme poverty.

We would like to express our deep appreciation to the organizations and individuals that have made this publication possible. The Frontiers in Development effort, including the event on September 18-19, 2014, was supported through generous contributions by the Rockefeller Foundation, the New Venture Fund and the William and Flora Hewlett Foundation.

Among the many people who contributed to the 2014 Frontiers in Development Forum, several stand out for their leadership and commitment to this publication, including Winston Allen, Hope Bryer, Nan Dearborn, Raquel Gomes, Danielle Lee, Claire McIntyre and Ilyse Stempler.

We are also grateful for the support of the editorial and design teams at Ogilvy Public Relations, Garfinkel + Associates and Graves Fowler Creative and our interns Alex Hart, Kira Setren and Abhik Pramanik.

The many people involved in technical reviews of the essays submitted within USAID and to Devex also deserve thanks. In particular, we would like to acknowledge the leaders across USAID who served on the editorial board for the Agency staff essay contest: Christa Capozzola, Chuck Cooper, Tom Delaney, Larry Garber, Jonathan Katz, Jed Meline, Susan Pascocello, Susan Reichle, Jim Shelton, Alex Thier and Christa White. Others who also helped make this publication possible include Negar Akhavi, Bridget Basirico, Ariana Berengaut, Ken Borghese, Rob Camilleri, Amelia Corl, Clay Doherty, Tom Garwin, Jake Grover, Melissa Hough, Viju Ipe, Kamiar Khajavi, Amitabh Khardori, Ashley Marcus, Carole Muedder, David Strine, Jeff Szuchman, Elisa Walton and Zaid Zaid at USAID and Daniella Ballou-Aares at the State Department. This book and the entire forum planning effort were aided immensely by the model first laid out by Steven Radelet, who led the first Frontiers in Development Forum.

Last, but certainly not least, we are grateful to all the contributing authors in this collection.

*Administrator **Rajiv Shah***
*Senior Advisor **Noam Unger**, Bureau for Policy, Planning and Learning*

United States Agency for International Development
August 2014


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Overview

John Kerry

So much of human history, and America's story, has been defined by pioneers: by people who push all accepted boundaries in search of a better life for themselves and for their communities. By casting off the familiar, by always asking "why?" and "what can we do better?", these remarkable innovators extend our imagination beyond the current frontier.

That same spirit has always defined America's approach to diplomacy and development as we look to spur progress in the world around us. We looked to the future when we partnered with our European allies to rebuild a continent ravaged by war, led the fight against diseases like polio at home and abroad, and galvanized a global effort to confront the HIV/AIDS pandemic. We have achieved key successes in these endeavors, not by accepting the status quo, but by having the courage to take smart risks, embrace partnerships across the globe, and apply new thinking to the world's challenges.

Maama Tina's income from her shop in Uganda doubled after a USAID loan guarantee helped make Bugala Island's development attractive to private investors. When women and girls are empowered, families, communities and countries are stronger, more stable and more prosperous.
PHOTO: BOBBY NEPTUNE

Today, we confront another transformative moment, a new frontier in global development. Networks of interconnection are replacing hierarchies of power. Old economic and political structures are becoming both more diffuse and more fragmented. Emerging and developing markets are increasingly important contributors to global growth and to our shared political decision-making. Lower-income countries are growing their private and public sectors faster than many advanced economies, and are bringing deep expertise to the global stage. At the same time, we face a changing climate that is already causing impacts which threaten some of the development gains we have made in the last 30 years. Our economies, food supply, health, oceans and forests will continue to face increasingly devastating impacts if the pace of rising temperatures is not slowed, and our ability to respond is not strengthened.

This transformation can be seen across sub-Saharan Africa, which is now home to seven of the world's 10 fastest-growing economies. It's demonstrated by the dramatic increase in private capital flows, which are now approximately three times the size of assistance flows from the United States to developing countries. As a result, assistance represents 13 percent of flows from developed to developing nations compared to 70 percent 40 years ago. But the picture is very uneven. To be sure, persistent pockets of poverty remain, particularly

Our future prosperity and security are determined by factors beyond military might: the ingenuity of our innovators, the discoveries of our scientists, and the compassion of our spirit.

in the lowest-income and most fragile countries, to which little trade, investment or remittances go. And as the climate changes, those in poverty are the least resilient to its consequences.

The time is ripe for reinventing development through new partnerships that address our common challenges and our common interest in achieving inclusive economic growth. Rapid growth occurring in the same countries and regions that suffer from extreme poverty challenges us to rethink how we provide development investments. And no investment can ignore the risks associated with climate change, nor the benefits to economies if we tackle this problem soon. We must see our efforts not as operating in a vacuum, but as part of an ecosystem with diverse partners striving to achieve mutually reinforcing goals. We need to take our greatest assets—America's culture of innovation, the resilience of our private sector, and our international reach—and strengthen partnerships across the global community to achieve shared priorities.

The New Frontier in Development

President Obama's 2010 Policy Directive on Global Development made significant strides in launching this transformation. Over the past four years, we've streamlined and fine-tuned our approach across the entire spectrum of our development efforts. Forging a stronger framework for development has meant investing in our partners in new ways, and investing in our people and the institutions that support them. Across the State Department and USAID, we have emphasized the importance of better linking together diplomacy and development, and are fostering innovation, including through the new U.S. Global Development Lab. We are better synchronizing investments with partner nations and the private sector, and we are deploying the full range of development tools to enable our partners to succeed, including USAID grants, Millennium Challenge Corporation Compacts, Overseas Private Investment Corporation investments, and Treasury investments in the Multilateral Development Banks.

Despite such efforts, threats to global security, prosperity and environmental sustainability remain. Smart development decisions and approaches today could build resilience and mitigate some of the most critical risks: rampant inequality, poor governance and resource scarcity. Meeting these challenges demands having an agenda for development that puts four issues at its center: driving inclusive economic growth and ending extreme poverty; sustainability and addressing the impact of climate change; achieving gender equality and empowering all women and girls; and elevating the use of data.

Inclusive Economic Growth and Ending Poverty

For the first time in history, the world has the opportunity and potential to eliminate extreme poverty by 2030 through inclusive, global economic growth. To achieve sustainable economic growth and lift countries out of dependence on assistance, we must continue to support countries that want to build a strong environment for trade, catalyze investments, and place a particular emphasis on Africa, where growth is strong but market knowledge and the ability of outside businesses to assess and manage risk can be limited. Investing in the foundations of growth, in basic needs like food security and health, is equally critical.

Trade and investment hold the potential to fuel economic growth while reducing poverty and promoting jobs. Though trade and investment alone cannot solve every development challenge, they are necessary tools in any successful and sustainable development strategy. The African Growth and Opportunity Act, for instance, is helping build a bridge from aid to trade in African countries as their economies grow. Similarly, investments in infrastructure and markets are critical to building economies, presenting opportunities for companies today, and expanding our range of economic partners in the future. For instance, I presided over the signing of a groundbreaking new compact with Ghana this past August, at the U.S.-Africa Leaders Summit, that will enable large-scale public and private investment in power, including renewable energy.

Over the past decade, the United States has made its most significant assistance investments in one of the most important enablers of economic growth: a healthy population. Economic growth and health are inextricably linked. As the recent Lancet Commission found, the returns on investment in global health are even greater than previously understood, with an estimated return of between $9 and $20 by 2035 for every one dollar invested. Through a focus on results, the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) has turned the tide on the HIV/AIDS epidemic, placing more than 6.7 million people on lifesaving antiretroviral treatment. To achieve an AIDS-free generation and dramatically reduce maternal and child deaths, we are forging new partnerships built on mutual accountability. These investments not only save lives, but are enabling economic growth by increasing the lifespan of adults during their most productive years.

Food security is another essential foundation for economic growth. Alleviating global hunger is not just a priority: It is a moral, economic and national security imperative. The United Nations estimates that over 840 million people, or one in eight, suffer from chronic hunger. Success in food security means helping farmers grow more crops and improving nutrition. For example, under the president's global food security initiative, Feed the Future, the United States places special emphasis on improved nutrition during the 1,000 days from a woman's pregnancy to her child's second birthday. Better nutrition during that window impacts a child's lifetime health, development and future economic earnings—and her or his country's future economic growth.

Sustainability and Addressing Climate Change

We know that the most vulnerable and least developed countries are also the most at risk from

A man tends to mangrove seedlings, which help stop coastal erosion, anchor soils, buffer storm surges and provide habitat for countless wetland species of plants and animals. In order to protect development gains, we must prevent and adapt to the onset of climate change and improve management of natural resources. PHOTO: USAID

environmental degradation and the impacts of climate change. Shared prosperity is only possible if we grow more sustainably, mitigate greenhouse gas emissions, adapt to the impacts of global climate change, and improve our management of natural resources. Just as inclusive economic growth, food security, and health are interrelated, so too are these fundamental development issues interconnected with environmental sustainability.

Success at taking on climate change requires working with the private sector to catalyze investments that generate positive returns while contributing to a more sustainable planet. For instance, as part of the president's bold Power Africa Initiative, we are working with programs such as the U.S.-Africa Clean Energy Finance Initiative, which is leveraging a small investment of public resources to fund early development costs of clean energy initiatives, which in turn catalyze over $1 billion in clean energy investment from the private sector. Private sector commitments also hold the potential to stem the rapid deforestation occurring in some nations, which is destroying valuable carbon sinks. The Tropical Forest Alliance 2020 has brought together the private sector to reduce the deforestation that comes from sourcing palm oil, soy, beef, paper and pulp in developing nations. As part of this alliance, large companies have made voluntary commitments to avoid net deforestation as they cultivate and bring their resources to market.

We are also focusing on the need to protect oceans, which are critical to the nutrition and livelihood of so many people around the world. More than 3 billion people, many of whom live in the least developed countries, rely on food from the ocean as a significant source of protein. To protect the declining health of ocean and coastal ecosystems, we are prioritizing efforts to end overfishing and to prevent illegal, unreported, and unregulated fishing, which ensures long-term sustainability of the fisheries that are so important to food security. Climate change is also causing ocean acidification around the world which is destroying crustaceans, including the smallest ones which are a critical building block of ocean life and productivity. In June 2014, the State Department's first "Our Ocean" conference, raised commitments from government and private sources valued at more than $800 million to conserve the ocean and its resources for future generations.

The world's important development gains will not be maintained without addressing climate change and promoting a healthy environment. We must respond to and prevent the negative impacts of climate change that are facing us all. However, these challenges also present new opportunities to build partnerships and collaborative solutions that will foster more sustainable relationships between people and our planet.

Achieving Gender Equality and Empowering All Women and Girls

When women and girls are empowered, educated and equipped to contribute to society, their families, communities and countries are stronger, more stable and more prosperous. That is why we are placing an unprecedented focus on promoting gender equality and advancing the status of women and girls around the world—making the full participation of women and girls in the political, economic and social lives of their countries a key goal of U.S. foreign policy.

In addition to focusing on gender through our diplomatic and policy priorities globally, our development investments focus on integrating the empowerment of women and girls and promotion of gender equality across all sectors. Critical to this effort is our adoption of a more data-driven approach to where and how we allocate resources. Through PEPFAR investments, for instance, data disaggregated by age, sex and geography helps us to target and tailor our efforts, which includes addressing the disproportionate burden of HIV borne by women and girls.

Our work is far from done. Inequality, poverty, discrimination and gender-based violence, including the harmful practices of female genital mutilation/cutting and child, early and forced marriage, have been an accepted reality for far too long. Yet, by boosting women's economic and political participation and engagement in building peace and security; addressing the pervasive problem of gender-based violence; and investing in the future of adolescent girls, we will see results. Our vision for a peaceful and prosperous global future depends on it.

Elevating the Use of Data

Central to the new development landscape is a demand for transparency, accountability and data-driven decision-making. The United States is adopting a more data-driven approach to allocating resources, working with partners and sharing information with citizens. Tools like the Women's Empowerment Agricultural Index measure progress and help all actors understand how to focus resources and respond to a changing world. Data is not just an opportunity for better, faster information, but also an opportunity to transform the citizen-government relationship. Real-time data and feedback help citizens make informed decisions to improve their communities and ensure government is responsive to their needs.

Integrating the use of data across development, and making the information available to the public, helps programs be more effective and reach more people. We are publicly releasing more data on our development programs and funding through ForeignAssistance.gov and the Development Experience Clearinghouse, and reporting it to the International Aid Transparency Initiative. We are also piloting and expanding innovative approaches to gathering data through social media, geospatial mapping and mobile phones like the mFish Partnership, which uses mobile technology to collect and analyze data on illegal fishing, stop it at the source, and trace seafood along supply chains. These programs are more than just data collection; they allow the local communities to be engaged and contribute to the success of a development program, and serve to create long-lasting partnerships abroad.

Looking Ahead to the Next Generation

The selection of a new generation of development goals known as the post-2015 Development Agenda, the successor framework to the Millennium Development Goals (MDGs), presents a unique opportunity for the United States and its partners. A well-crafted set of goals will enable governments, civil society, the private sector and individual citizens to synchronize efforts to address the most pressing problems the world faces in the coming decades. With a strong focus on ending extreme poverty and tackling the unfinished business of the MDGs, this agenda should promote inclusive economic growth, integrate sustainability and climate change, and empower women and girls.

Agreement on a strong set of new goals will commit world leaders to work in partnership to address common challenges. Whether we are investing in clean energy, fighting disease, building infrastructure, protecting our oceans or promoting greater food security, our objective is to make our partners self-reliant by listening to their priorities and building enduring economic partnerships.

Above all, working in true partnership toward common goals will build the opportunities that the next generation of young people demand everywhere—good education and job opportunities, access to health care, institutions they can trust, freedom from discrimination and a healthy planet. These young people stand at the edge of the new global frontier, and are eager to develop a more sustainable and inclusive world for everyone in it. The expectations and potential of the next generation are high, as is our duty to work together to leave them a better future.

United States Secretary of State ***John Kerry***

Women walk back to the village they left after Islamists arrived in Binta, Mali. By boosting women's engagement in building peace and security we will see more results in the empowerment of women and girls across all sectors.
PHOTO: ERIC FEFERBERG / AFP

Introduction

Rajiv Shah and J Alexander Thier

In one sharp instant four years ago, more than 300,000 people died when a 7.0 magnitude earthquake shattered the island of Haiti. Six weeks later, an 8.8 magnitude earthquake struck Chile, and 525 people perished. Remarkably, while Chile's earthquake was 500 times more powerful, Haiti's was 500 times deadlier—in large part, because of endemic poverty and poor governance. Haiti is the poorest country in the Western Hemisphere, with some 65 percent of Haitians living in extreme poverty. In 1984, 8 percent of Chileans lived in extreme poverty. Today, that number is just 1 percent. Chile's buildings did not fall because they were built to seismic codes, rigorously enforced.

How do we build a world where such gross inequities are more relic than reality? The hallmark of extreme poverty is not just living on less than $1.25 a day. It is the denial of basic human dignity that locks a girl in daily terror of being sold off as a child bride. It is the denial of nutrition that allows the body to grow and the mind to thrive. It is the denial of opportunity for marginalized communities whose voices are muted and human rights violated. It is the blindness of illiteracy, the insecurity of slum housing and the relentless carnage of millions of children dying for lack of inexpensive, low-tech cures.

We know it does not have to be this way. From 1990 to 2010, child mortality fell by half; the number of children in primary school grew to nearly 90 percent; and around 2 billion people gained access to improved water sources. In just two decades, an additional 700 million people claimed freedom from extreme poverty, as the number of people enduring these gut-wrenching conditions began falling across the world. In 1990, one in three people lived in extreme poverty. Today, it is less than one in five. Evidenced in plummeting infant mortality rates, increasing access to primary education, especially for girls, and rising incomes for poor farmers, this progress has convinced us that ending extreme poverty in a generation is possible.

An Unprecedented Vision

But just knowing we are capable of ending extreme poverty is not enough. We need the political will.

The *Wanawake Kwanza* (Women First) growers association in Tanzania receives Feed the Future support to boost their incomes and improve nutrition in their village. U.S. President Barack Obama launched Feed the Future to turn agriculture into a thriving business for smallholder farmers. PHOTO: USAID

In February 2013, during his State of the Union address, President Barack Obama called upon our nation to join our partners to end extreme poverty and its most devastating consequences. It was an extraordinary moment, as the president set forth a vision for one of the greatest contributions to human progress in history.

In the months since, this vision has been powerfully echoed in the World Bank's new mission and in the final report of the U.N. Secretary General's High-level Panel on the Post-2015 Development Agenda, co-chaired by the leaders of Indonesia, Liberia and the United Kingdom. To ensure that this goal serves as the focal point of USAID's efforts around the world, our Agency updated its own mission statement: "We partner to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity."

We know the alternative. We know that where we see extreme poverty, extreme climate change and extreme ideology today, we are more likely to face conflict tomorrow. Our future prosperity and security are determined by factors beyond military might: the ingenuity of our innovators, the discoveries of our scientists and the compassion of our spirit. That is why President Obama elevated development as a core pillar of our national security and foreign policy, and leaders on both sides of the aisle have united behind the global effort to make extreme poverty a thing of the past.

A New Model of Development

To match the audacity of our goals and the resources necessary to achieve them, we need a new model of development. A generation ago, public funding from wealthy nations like the United States represented more than a majority of the external resources that came into developing countries. Today, by some recent estimations, donor resources represent no more than one-fifth—and possibly less than one-tenth—of external financing, with foreign direct investment, remittances and private philanthropy making up the lion's share. While aid has continued to decline in importance over the last decade in most developing economies, investment, tax revenues and remittances have continued on an upward trend.

As a development community, we have to catch up to this reality. These growing sources of financing—from international private equity to local wealth to domestic public investments—are transforming our ability to encourage policy reforms and open thriving markets. New technologies connect us directly to impoverished rural families. New partnerships with faith communities and civil society are enabling us to scale efforts that reach the poorest of the poor. And a robust new focus on measurement and evaluation ensures that we know what is—and is not—working, so we can target our efforts where they will have the greatest impact.

At USAID, we are moving from a traditional model of top-down development to a new model that embraces country ownership and engages talent and innovation everywhere to achieve extraordinary goals. Building on the commitment of partner countries , we are working directly with multinational and local companies to harness the private sector as an engine of growth and development. Rather than seeking linear and incremental gains, we are investing in science and technology to bend the curve of progress. And instead of assuming good policies will follow development investment, we are insisting on transparency and policy reforms from the beginning—to create an environment that allows private investment and civil society to flourish. In other words, we are changing the way development works, with new partnerships, a greater emphasis on innovation and a relentless focus on results.

The New Model in Action

Today, this new model serves as the foundation of our approach to addressing big challenges. In 2007 and 2008, a food, fuel and financial crisis sent tens of millions of people back to the brink of extreme poverty. In this environment, President Obama took office determined to reverse course and give millions of people a pathway out of extreme poverty. As one of his first foreign policy acts, President Obama launched a global food security initiative called Feed the Future to transform agriculture into a thriving business for smallholder farmers.

In Bangladesh, we helped rice farmers increase their yields by up to 20 percent, leading to the first-ever rice surplus in the country's poorest state. In Honduras, where nearly one in every three children is stunted, we focused on high-value horticultural crops like tomatoes and peppers. This program helped 24,000 people move out of extreme poverty as their daily per capita income shot up 237 percent—from \$0.71 to \$2.39. All told, in one year alone, we improved nutrition for 12 million children and empowered nearly 7 million farmers with the climate-smart tools they need to lift themselves and their families out of poverty.

Perhaps most importantly, country partners are making tough reforms and demonstrating political leadership, and private sector and civil society partners are making substantial new investments. Ten countries are now members of the New Alliance for Food Security and Nutrition, a global public-private partnership—launched by President Obama at the 2012 G-8 Summit—that has facilitated over \$7 billion in planned investments from

President Barack Obama's Power Africa initiative will unlock local economic growth and accelerate power generation using a new model of public-private partnerships. By mobilizing public and private funding, Power Africa has the potential to light more than 10 million homes. PHOTO: USAID

160 companies, two-thirds of which are local. The New Alliance and the Grow Africa partnerships have already helped 3 million smallholder farmers grow more food and created 37,000 new jobs across Africa.

The story is similar in energy. Since 2008, America has more than doubled renewable energy generation, strengthening our economy and protecting our environment. But for developing countries, energy access remains a significant barrier to growth. Today, President Obama's Power Africa initiative is accelerating power generation and driving economic growth globally. Through a new model of public-private partnership, several power projects adding 2,500 megawatts to the grid are fully financed, mostly by private resources, and another 5,500 megawatts are in the planning stages—together enough to light more than 10 million homes.

We recently closed a deal to build one of the largest wind power generation farms in sub-Saharan Africa. By 2017, 38 powerful turbines built by GE will capture wind energy coursing through the plains of central Kenya and add 60 megawatts of power to their national grid, enough to power 150,000 Kenyan homes. Our engagement is not a one-way street. Whether they are in energy or agriculture, advances in global development have relevance right here at home. The solutions that Power Africa pioneers today will inform our own progress, as cleaner, cheaper solar and wind technologies create new jobs and power our own nation's clean energy renaissance.

The Challenge of Fragile States

Not every country looks like Nepal or Senegal or Colombia, however. Not every community has leaders who believe in our values or who stand strong against the forces of corruption, extremism and kleptocracy. Our goal to advance the cause of justice by ending extreme poverty has fine print.

As more nations successfully end extreme poverty, the challenge before us will narrow and toughen. By 2020, extreme poverty will primarily become concentrated in countries like Haiti, the Democratic Republic of the Congo and Bangladesh, where the rising tides and growing tempests of climate change exact pressure on the communities least able to cope. It will be found in countries like Nigeria, Kenya and Yemen, where the hopefulness for peace and prosperity is undermined by extremism. And it will live in countries like Syria and South Sudan, where leaders who have a choice between perpetual conflict and lasting peace are choosing to fight.

Conflict is essentially development in reverse. It destroys capital, scares away investment, displaces families, denies human dignity and unravels the fabric of life. In order to confront these realities, we need to recognize that development is fundamentally a political process, not a technical one.

We have not always thought this way. A decade ago, development professionals fought to keep their work insulated from politics. But ending hunger does not just require new seeds. It requires leaders who reform the seed sector, give women ownership of the land they tend and unlock local capital for underserved farmers. Ensuring that every child has a light to read by at night does not just require low-cost solar lanterns. It relies on leaders who build public-private partnerships that can attract investment and make large-scale power projects a reality. And strengthening democracy does not just mean monitoring elections, but empowering leaders who fight corruption, encourage women to vote, and protect the rights of minorities—even when it is more expedient to play on sectarian divisions.

As a development community, we need to demand tough reforms that prioritize the poor, fight corruption and strengthen a focus on fragility. In the last several years, countries around the world came together to strike a New Deal for Engagement in Fragile States. Instead of assessing progress as we would in Indonesia or Ghana, these countries are taking the lead in defining a new set of indicators that track the transition out of fragility—measuring everything from diversity in electoral representation to the incidence of sexual violence.

Peace is a precondition to long-term development. But development must take hold quickly alongside security to maintain stability and ensure that the effort to end extreme poverty succeeds. We have learned this lesson in Afghanistan. By creating a $175-million incentive fund, we are holding the Afghan Government accountable to meet standards critical to long-term development, including advancing support for women and girls, fighting corruption, and holding free, fair and openly observed elections. Half their targets were met in the first year. And where criteria were not met, we have withheld funds, ensuring that our approach to accountability is not mere rhetoric.

Conclusion

Several years after the earthquake devastated Haiti, a local company called Surtab used seed funding from USAID to begin producing high-quality, low-cost electronic tablets that enable children to access a global library of information. The factory employs mostly women coming from poor communities, trains them to build each tablet from scratch, and has them sign each product—a quality guarantee and source of deep pride for the women. A new app lab and burgeoning uses like rapid health diagnostics, distance learning and mobile banking are driving development progress and creating a cycle of investment and innovation.

Surtab is expanding. Its devices are already being sold in the Caribbean and Africa, and the company—with big ambitions of becoming one of the leading manufacturers of tablets outside of China—is on the cusp of expanding its market to the United States, Canada and Europe.

To match the audacity of our goals and the resources necessary to achieve them, we need a new model of development.

If we are going to end extreme poverty by 2030, we have to follow Surtab's lead and continue to push the boundaries of science and innovation. The U.S. Global Development Lab will be critical to this effort—ensuring that the United States continues to lead the world in bringing new technologies, business models and talent to our shared mission.

By sourcing new solutions in our core areas of work and scaling four game-changing technologies: e-payments, chlorhexidine, real-time data information systems and drought-resilient maize—the Lab aims to improve the lives of up to 200 million people over the next five years. Just as DARPA did for the Department of Defense, the Lab will allow us to partner with companies from Google to Surtab and incubate new ideas, such as applied sensor technology for medical diagnostics or open data platforms that help citizens hold their governments accountable.

We are also going to focus more intensely than ever on leveraging private capital. In the coming year, we will support the first municipal bond issuance in West Africa, create a new private equity model in the Middle East that focuses investment in early stage businesses and startups, accelerate private equity partnerships in Pakistan and work with local banks in Mexico to unlock financing for new entrepreneurs.

Perhaps most importantly, we will continue to advance our fundamental belief that ending extreme poverty requires strong political leadership—in Washington and in cities across the globe. Over the next year, we will work to ensure that the next set of Millennium Development Goals focuses on ending extreme poverty. We will engage deeply with political leaders in emerging economies—like Mexico and China—to expand their own commitment to development. And we will support peace processes from South Sudan to Colombia that serve as the foundation of development.

We have the honor of serving a mission and a country that are exceptional. With a new clarity of focus, we are carrying forward our nation's proud legacy to help end extreme poverty in our lifetime.

***Rajiv Shah** is the administrator for USAID and **J Alexander Thier** is the assistant to the administrator for Policy, Planning, and Learning.*

Understanding Extreme Poverty

TONY KARUMBA / AFP

The Last Mile in Ending Extreme Poverty

Laurence Chandy and Homi Kharas

Can extreme poverty be ended by 2030—and if so, what will it take?

This audacious question posed by the architects of the post-2015 Development Agenda soon will be enshrined in a set of sustainable development goals. Answers—and progress toward these goals—begin in understanding extreme poverty's "last mile."

The past quarter-century has been a period of undoubted progress in the fight against extreme poverty. The first Millennium Development Goal aimed to halve the global poverty rate, based on the frugal $1.25 poverty line, between 1990 and 2015. This goal was met five years ahead of schedule; the global poverty rate fell from 43.0 percent in 1990 to 20.6 percent in 2010.

To end extreme poverty by 2030, this same rate of progress—a reduction of one percentage point per year—must be sustained. Expressed this way, the goal seems reasonable. One might even conclude that it represents a baseline scenario for the future, since it requires no deviation from the global poverty rate's historical trajectory.

Instead, two competing narratives have emerged on the future pace of global poverty reduction.

The first narrative assumes that the speed of poverty reduction is bound to slow. The reduction in global poverty since 1990 has been driven by spectacular performances in countries such as China, Indonesia and Vietnam. The success and scale of poverty reduction in these nations compensated for countries that recorded little or no progress. Such divergent outcomes were sufficient for meeting the goal to halve global poverty, but they will not deliver on a zero-poverty goal.

For this to happen, each developing country must individually be on a trajectory to end poverty by 2030—a significant deviation from the historical path for many countries.

We have identified 21 countries[1] with both elevated poverty rates and poor records of progress

1 Benin, Burundi, Central African Republic, Comoros, Democratic Republic of Congo, Côte d'Ivoire, Eritrea, Guinea-Bissau, Haiti, Kenya, Liberia, Madagascar, Mauritania, Mozambique, Myanmar, Nigeria, North Korea, Papua New Guinea, Somalia, Zambia and Zimbabwe.

A South Sudanese woman walks with wood to reinforce her house in an isolated makeshift camp for internally displaced people in South Sudan. Since 1990, the share of the global poor living in fragile states has doubled from 21 percent to 42 percent. PHOTO: JM LOPEZ / AFP

over the past decade. All face one or more structural challenges to inclusive growth: they are small or land-locked, have bad neighbors, are disaster- or disease- prone or have a record of bad governance or conflict. Such countries are gradually coming to dominate the composition of the world's remaining poor. The share of the global poor living in fragile states has doubled, from 21 percent to 42 percent, since 1990.

Getting to zero poverty by 2030 requires that each of these countries defies its circumstances and, in some cases, match or better the fastest recorded poverty reduction trajectories from history.

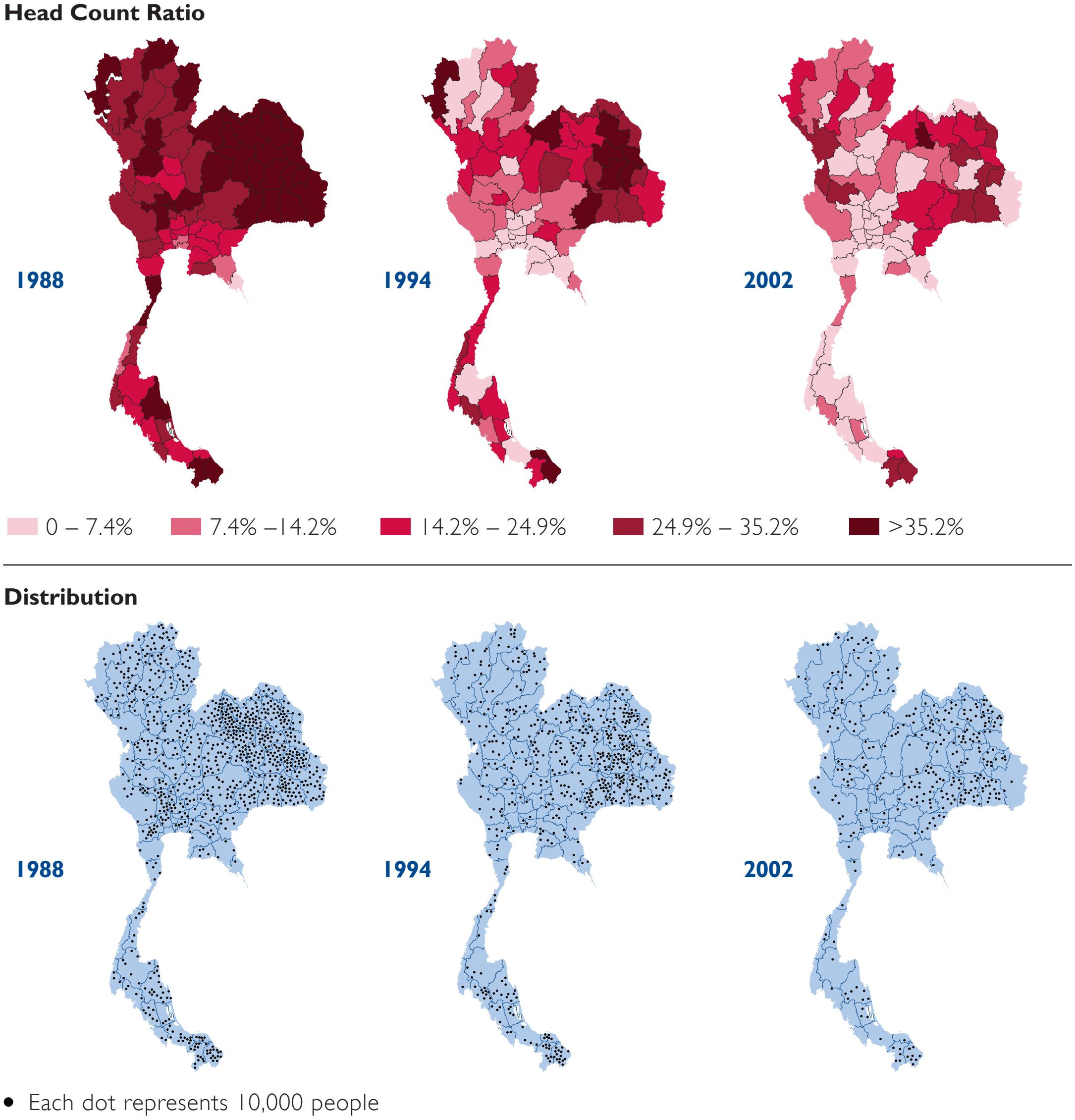
Yet in practice, it's hard to simply throw off the legacy of structural challenges to development. Weather shocks—which are expected to grow in frequency due to climate change—have been found to have persistent effects on the welfare of the poor. For instance, even 10 years after droughts in Ethiopia and Tanzania in the 1990s, the consumption levels of poor households remained 17 to 40 percent below their pre-disaster levels.[2]

Structural factors can also interact to disastrous effect. Drought in Syria and the internal migration it precipitated have been linked with the start of the country's civil war.[3] A decade ago, only 1 percent of Syrians lived below the extreme poverty line. According to today's best estimates,

2 Beegle, Kathleen, Rajeev H. Dehejia and Roberta Gatti. "Child Labor and Agricultural Shocks." Journal of Development Economics 81: 80-96. 2006. http://users.nber.org/~rdehejia/papers/childlabor_shocks.pdf

3 Werrell, Caitlin E., and Francesco Femia eds. "The Arab Spring and Climate Change." http://climateandsecurity.files.wordpress.com/2012/04/climatechangearabspring-ccs-cap-stimson.pdf

FIGURE 1. Thailand Poverty Head Count Ratio and Distribution by Province



this fraction has risen to 31 percent—higher than the poverty rate in Ethiopia.

Even those countries that are on a trajectory to zero can expect to face headwinds between now and 2030. Because concentrations of people are typically thinner at the ends of the income spectrum, countrywide gains in income typically deliver less poverty reduction once poverty numbers reach low levels.

The emergence of persistent pockets of poverty in lagging subnational regions, or among selected population groups, is also cause for concern. These pockets may result from market and local governance failures or discrimination and exclusion. Thailand represents one example. Despite the country's success in bringing down its poverty rate from

17.2 percent in 1988 to less than 5 percent by 1994, residual pockets of extreme poverty still existed in the northeast region of the country eight years later (Figure 1). This continues to the present.

Looking across the record of developing countries over the past three decades, there is some evidence that the rate of poverty reduction is slow in countries where the poverty rate is in single digits.[4]

Supporters of this narrative conclude that the last mile in ending extreme poverty will be the hardest, both within individual countries and globally, prompting some analysts to describe the 2030 goal as "very challenging,"[5] "unrealistic"[6] and "out of reach."[7]

There is a counternarrative to this prognosis, however, that is equally compelling and grounded in empirics, in which national and international efforts successfully overturn decelerating pressures on poverty reduction.

In this second narrative, as the number of people living in extreme poverty falls, the fight against poverty will change in form and grow in effectiveness. As countries get richer and the scale of global poverty declines, the level of resources per poor person that can be deployed to reduce extreme poverty will rise.

Efforts to tackle poverty could then shift from scattershot approaches to more targeted interventions tailored to individual needs and circumstances. New technologies in identification, communication, payment, digitization and data processing could make such targeted efforts increasingly feasible by reducing transaction costs, minimizing leakages and generating audit trails.

Meanwhile, the introduction of more rigorous evaluation methods for development programming can help identify transformative interventions that generate large and sustained increases in income for poor households. A leading example is cash transfers, which are among the most thoroughly researched interventions in global development.

The emergence of persistent pockets of poverty in lagging subnational regions, or among selected population groups, is also cause for concern.

Cash transfers have been shown to deliver annual monetary rates of return between 20 to 80 percent, sustained over several years.

Though encouraging, such microeconomic evidence historically has been considered to be of limited relevance for understanding poverty trends across the developing world. The reason for this: Poverty-focused programs and their impact rarely scale successfully.

But this, too, is beginning to change. Technology and evidence—the same factors driving efficiency gains in development efforts—are also laying the groundwork for better scaling. And since the number of people remaining in extreme poverty is falling, our notion of what constitutes "scale" is becoming more attainable, because it

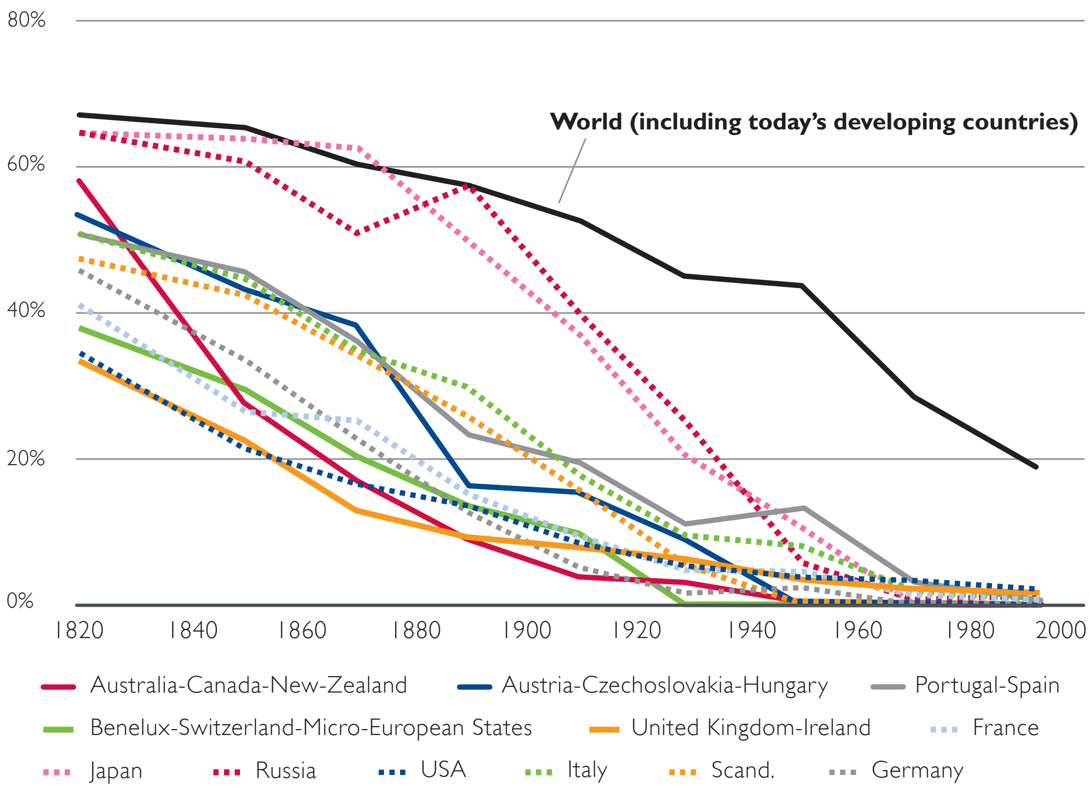
4 Ravallion, Martin. "Benchmarking Global Poverty Reduction." The World Bank: 2-33. 2012. http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6205

5 Yoshida, Nobu, Hiroki Uematsu and Carlos E. Sobrado. "Is Extreme Poverty Going to End?" The World Bank:1-27. 2014. http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2014/01/06/000158349_20140106142540/Rendered/PDF/WPS6740.pdf

6 Bluhm, Richard, Denis De Crombrugghe and Adam Szirmai. "Poor trends: the pace of poverty reduction after the Millennium Development Agenda." UNU-MERIT: 1-28. 2014. http://www10.iadb.org/intal/intalcdi/PE/2014/13584.pdf

7 Ncube, Mthuli, Zuzana Brixiova and Zorobabel Bicab. "Can Dreams Come True? Eliminating Extreme Poverty in Africa by 2030." Institute for the Study of Labor: 1-25. 2014. http://ftp.iza.org/dp8120.pdf

FIGURE 2. World Poverty Rate



Source: Ravallion 2014

involves reaching a declining number of people.

The spread of cash transfers alongside other kinds of social safety nets exemplifies this shift. In 2010, an estimated 50 million people saw their incomes raised above $1.25 a day as a direct result of all such transfers.[8] An additional 345 million people living on incomes under $1.25 a day benefited from these transfers but did not receive enough to rise above the poverty line. As the number of extremely poor people falls and the number of poor beneficiaries rises, it is tempting to speculate a time when safety nets lift all people remaining in extreme poverty above the $1.25 threshold.

Above all, this counternarrative hinges on effective policy-making. It requires both a dedicated effort to tackle poverty and efficiently designed and executed interventions. This is precisely what gave today's rich countries the ability to eliminate extreme poverty in the middle of the 20th century.[9]

This era marked the development of many of

8 The State of Safety Nets 2014. Rep. no. 1. The World Bank. 2014. http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/05/12/000350881_20140512111223/Rendered/PDF/879840WP0FINAL00Box385208B00PUBLIC0.pdf

9 Ravallion, Martin. "The Idea of Antipoverty Policy." National Bureau of Economic Research: 1-113. 2013. http://www.nber.org/papers/w19210

A displaced Syrian woman prepares bread in an abandoned factory in the Sheikh Najjar industrial zone near Syria's northern city of Aleppo. Ten years ago, only 1 percent of Syrians lived below the extreme poverty line. Now this number has risen to 31 percent. PHOTO: JM LOPEZ / AFP

today's most important social programs, such as Medicare, Medicaid, food stamps and the Earned Income Tax Credit in the United States. Countries like Japan, Russia and Belgium saw little slowdown in their rates of poverty reduction as extreme poverty approached zero, as Figure 2 illustrates.

Whether extreme poverty is eliminated by 2030 ultimately depends on which of these two narratives proves dominant. The challenge for the global development community is to reconcile, and draw insights from, both perspectives.

The "diminishing returns" trajectory serves as a reminder that the international community must do a far better job of helping conflict- and climate-affected countries and the need for inclusive growth strategies that promote education, job creation and mobility. The "accelerating to zero" narrative stresses the importance of effectively mobilizing and allocating resources in support of poverty-reducing programs and developing tools to strengthen the resilience of poor households.

While the future trajectory of global poverty is virtually impossible to predict, our understanding of what it takes to eliminate poverty is growing. The global community now must seize this knowledge, so that the dream of a poverty-free world becomes reality.

***Laurence Chandy** is a fellow in the Global Economy and Development Program and the Development Assistance and Governance Initiative at The Brookings Institution. **Homi Kharas** is a senior fellow and deputy director for the Global Economy and Development Program at The Brookings Institution. The views expressed in this essay are their own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

Understanding Poverty Amid Fragility: Moving from Rhetoric to Analysis

Aaron Roesch

Poverty persists in diverse places, from small rural farms to sprawling urban slums. But perhaps the places that evoke the least hope are those that are violent, war-torn and disaster-stricken. Hotspots for conflict and instability, it seems, are hotbeds of poverty.

This nexus of fragility and extreme poverty is now central to the discourse on international development. The High-level Panel on the Post-2015 Development Agenda, for instance, finds that, by 2015, more than half of the extreme poor will live in countries afflicted with conflict and violence. "To end extreme poverty and empower families to pursue better lives," the panel writes, "requires peaceful and stable societies."[1]

Yet this belies a more complicated history: Many countries struggling with fragility have reduced poverty—some substantially. To reverse pernicious trends and accelerate progress already underway across the range of "fragile states," it is important to understand how countries have found success even amid fragile conditions, and to single out the obstacles that truly perpetuate poverty.

Correlation doesn't mean causation

Two stylized facts about poverty and fragility are especially compelling. Poverty rates are 21 percentage points higher, on average, in countries that have experienced a major conflict since 1981.[2] And, during the past two decades, the total number of extreme poor in non-fragile countries has fallen precipitously, while the number in fragile states has not; in fact, it has increased by nearly 50 million.[3]

1 United Nations High-level Panel, "A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development," New York: 2013.

2 S Cliffe and N Roberts, "World Development Report 2011: Conflict, Security, and Development," World Bank, Washington: 2011.

3 L Chandy, N Ledlie and V Penciakova, "The Final Countdown: Prospects for Ending Extreme Poverty by 2030," Brookings Institution, Washington: 2013; and own calculations, based on PovcalNet; K Kotoglu, DB Ray, S Jones, "Monitoring Resource Flows to Fragile States 2007," OECD-DAC Fragile States Group, Paris: 2008; and E Letouzé,

A displaced mother and her child inspect the remains of their burnt house in South Darfur. The United Nation's High-level Panel on the Post-2015 Development Agenda reported that by 2015 more than half of the extreme poor will live in countries with conflict and violence. PHOTO: ALBERT GONZALEZ FARRAN / AFP

That fragility and conflict exacerbate poverty and impede development seems self-evident. But correlation does not necessarily imply causation.

It is equally likely that poverty perpetuates fragility. Low incomes and slow economic growth are among the best-substantiated predictors of the onset of war.[4] The poorest 10 percent of countries are 18 times more likely to experience conflict over a decade than the richest 10 percent.[5] This relationship appears causal; A 1 percentage-point decline in gross domestic product increases the likelihood of war by 2 percentage points.[6, 7]

Causality can run both ways, of course, as a USAID discussion paper notes. A "fragility trap"—that is, "a self-perpetuating cycle of weak institutions, low investment, slow growth and repeated violence"—may prevent progress against poverty.[8] Indeed, countries that experience a combination of economic shocks, income inequality, social fragmentation and poor governance see growth slow by 0.8 percent to 1.7 percent per

J Profos and SL Cramer, "Fragile States 2014: Domestic Revenue Mobilization in Fragile States," OCED-DAC International Network on Conflict and Fragility, Paris: 2014.

4 H Hegre and N Sambanis, "Sensitivity Analysis and Empirical Results on Civil War Onset," Journal of Conflict Resolution 50:4, 2006; C Blattman and E Miguel, "Civil War," *Journal of Economic Literature* 48:1, 2010.

5 JD Fearon and DD Laitin, "Ethnicity, Insurgency, and Civil War," *American Political Science Review* 97:1, 2003; P Collier and A Hoeffler, "Greed and Grievance in Civil War," *Oxford Economic Papers* 56, 2004.

6 The causal direction is elucidated by an instrumental variable, annual rainfall. The authors argue that a deficiency of rain dampens growth and makes conflict more likely.

7 E Miguel, S Satyanath and E Sergenti, "Economic Shocks and Civil Conflict: An Instrumental Variables Approach," *Journal of Political Economy* 112:4, 2004.

8 USAID, "Ending Extreme Poverty in Fragile States," Washington: 2014.

year.[9] In Rwanda, 20 percent of households moved into poverty following the country's civil war and genocide—driven, in particular, by land loss and the destruction of property.[10] During the Bosnian War, incomes plummeted more than 80 percent. Extreme poverty, virtually nonexistent before, surged to 11 percent.[11]

Other forms of fragility are also well established, such as the "resource curse." A one-standard-deviation increase in primary exports slows growth by almost 0.5 percent annually, due largely to less trade openness,[12] export-crippling "Dutch disease"[13] and corruption.[14]

But some findings are counterintuitive. For instance, peace tends to be more durable when wars end by military victory rather than negotiated agreement.[15] Post-conflict countries tend to have more robust political participation.[16] And, despite the destruction of war, many countries rebound rapidly.[17] In Bosnia, for example, poverty rates returned to pre-war levels within just six years.[18] In the wake of violence in Rwanda, nearly as many households—18 percent—moved *out* of poverty as moved in.[19]

So the picture is muddled—even where the data seem indisputable.

For example, the 21-point disparity between the poverty rates of violent and peaceful countries actually represents an extrapolation of conflict's effect on the average country, rather than a direct estimate of countries' experiences. In fact, countries that endured major conflict in the last three decades started out much poorer, by about 15 percentage points. Since then, though, they *have* reduced poverty. Their average extreme poverty rates actually declined faster than other countries'—so much so that, today, they are on par with countries that experienced only minor conflict.[20]

Likewise, the stagnant number of extreme poor in fragile states suggests little recent progress, if not regression. But this calculation applies the latest classification of fragile states retroactively to 1990. Doesn't this "beg the question"? Clearly, countries that are fragile today haven't performed well recently. A more interesting look would be at nations considered fragile in 1990. Standard fragility measures didn't exist in 1990; however, even comparing the Organization for Economic Cooperation and Development (OECD) fragile states lists for 2008 and 2014 is revealing. Of 47 states considered fragile in 2008, 12 have graduated,[21] and they have continued to perform well since—but they were also on better

9 D Rodrik, "Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses," *Journal of Economic Growth* 4, 1999.

10 P Justino and P Verwimp, "Poverty Dynamics, Violent Conflict and Convergence in Rwanda," MICROCON *Research Working Paper* 4, Brighton: 2008.

11 D Djipa, M Muzur and PF Lytle, "Bosnia and Herzegovina: War-Torn Lives," in D Narayan and P Petesch eds., *Voices of the Poor: From Many Lands,* World Bank, New York: Oxford University Press, 2002.

12 JD Sachs and AM Warner, "Natural Resource Abundance and Economic Growth," NBER *Working Paper* 5398, Cambridge: 1995.

13 Dutch disease is a phenomenon triggered by a large inflow of foreign currency (often from commodity exports or even foreign aid), which leads to local currency appreciation and then decreased competitiveness of other exports. See http://lexicon.ft.com/Term?term=dutch-disease

14 X Sala-i-Martin and A Subramanian, "Addressing the Natural Resource Curse: An Illustration from Nigeria," NBER *Working Paper Series* 9804, Cambridge: 2003.

15 MD Toft, Securing the Peace: The Durable Settlement of Civil Wars, Princeton: Princeton University Press, 2009.

16 J Bellow and E Miguel, "War and the Local Collective Action in Sierra Leone," *Journal of Public Economics* 93:11-12, 2009; C Blattman, "From Violence to Voting: War and Political Participation in Uganda," *American Political Science Review* 103:2, 2009.

17 E Miguel and G Roland, "The Long Run Impact of Bombing in Vietnam," BREAD *Working Paper* 111, 2006.

18 Own calculations, based on PovcalNet.

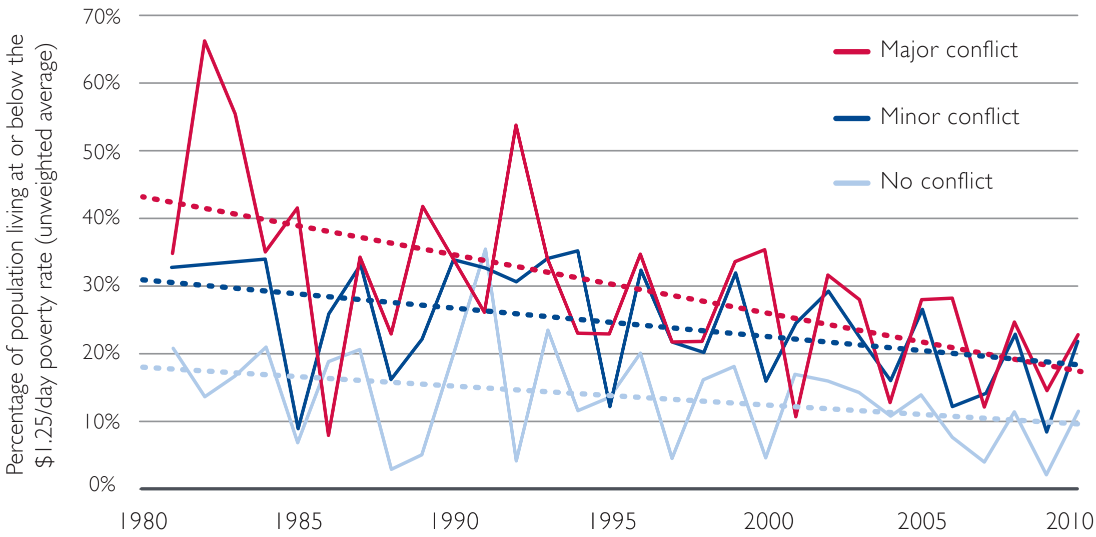
19 Bellow and Miguel, 2009.

20 Own calculations, based on PovcalNet; L Themnér and P Wallensteen, "Armed Conflict, 1946-2012," *Journal of Peace Research* 50:4, 2013; and NP Gleditsch, P Wallensteen, M Eriksson, M Sollenberg and H Strand, "Armed Conflict 1946-2001: A New Dataset," *Journal of Peace Research* 39:5, 2002.

21 The 12 "graduates" between 2008 and 2014 are Cambodia, Djibouti, Equatorial Guinea, The Gambia, Laos, Papua New Guinea, Rwanda, São Tomé and Príncipe, Tajikistan, Tonga, Uzbekistan and Vanuatu. Another 16 nations became newly fragile.

Conflict and Poverty Rates

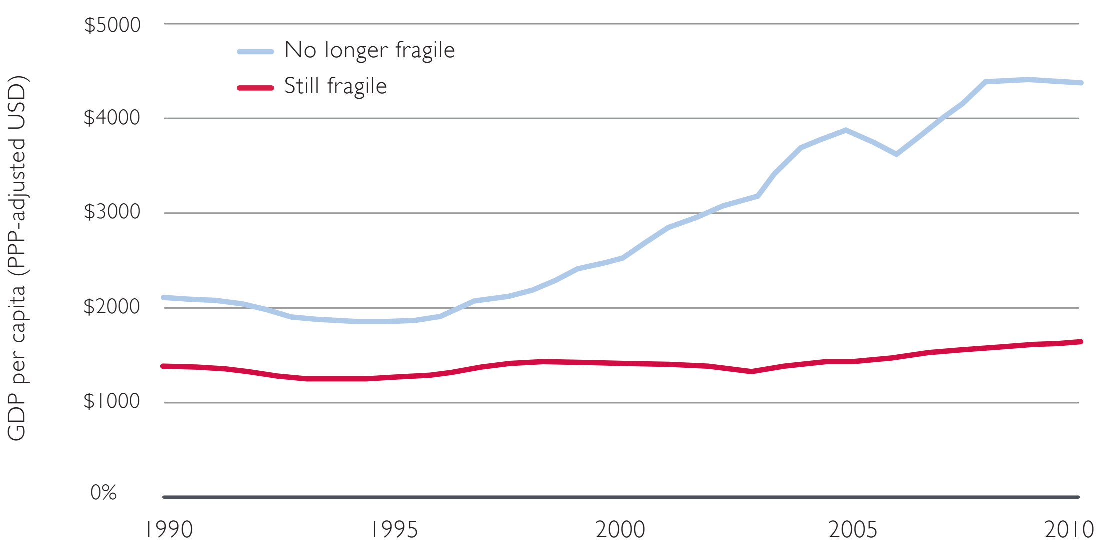
Countries that have experienced major conflict since 1981 are poorer, on average, but they are reducing poverty and their poverty rates are converging with those of other nations.



Source: Own calculations, based on PovcalNet; L Themnér and P Wallensteen, "Armed Conflict, 1946-2012," Journal of Peace Research 50:4, 2013; and NP Gleditsch, P Wallensteen, M Eriksson, M Sollenberg and H Strand, "Armed Conflict 1946-2001: A New Dataset," Journal of Peace Research 39:5, 2002.

Fragility and GDP Per Capita

Countries that have overcome fragility since 2008 started wealthier and were already on a better trajectory.



Source: Own calculations based on PovcalNet, OECD-DAC Fragile States 2007 and OECD-DAC Fragile States 2014.

Characterizations of fragility differ widely.					
Definition		Count	# LICs	% of LICs	Example
1	Poor governance	30	16	44%	World Bank Country Policy and Institutional Assessment
2	Conflict and instability	34	22	61%	Fund for Peace Fragile States Index
3	Poor governance *or* conflict (the union of #1 and #2)	51	28	78%	OECD Fragile States list
4	*Either* severe conflict *or else* moderate conflict *and* poor governance (roughly the intersection of #1 and #2)	19	7	19%	USAID's 2004–2006 approach
5	Illegitimate *and* ineffective institutions	33	20	56%	USAID Fragile States Strategy

trajectories much earlier and, in fact, started out 53 percent wealthier even in 1990.[22]

So, even amid fragility, countries have grown—and grown inclusively. This implies that resolving fragility is not a precondition for reducing poverty. In fact, of the 10 countries that reduced extreme poverty the most since 1981, only one did not experience a conflict in that period: Bhutan.[23] Cambodia, for example, despite 18 straight years of fighting with the Khmer Rouge, slashed poverty by 59 percentage points. Indonesia fought multiple wars, including with now-independent Timor-Leste—both saw declines of nearly 50 percentage points.[24]

What is fragility—and is it meaningful for thinking about poverty?

So, what does "fragility" mean, if some countries are able to grow and overcome it, while others seem mired in perpetual instability?

In fact, fragility is an ill-defined term. USAID Senior Economist Mike Crosswell identifies five distinct characterizations of fragile states.[25]

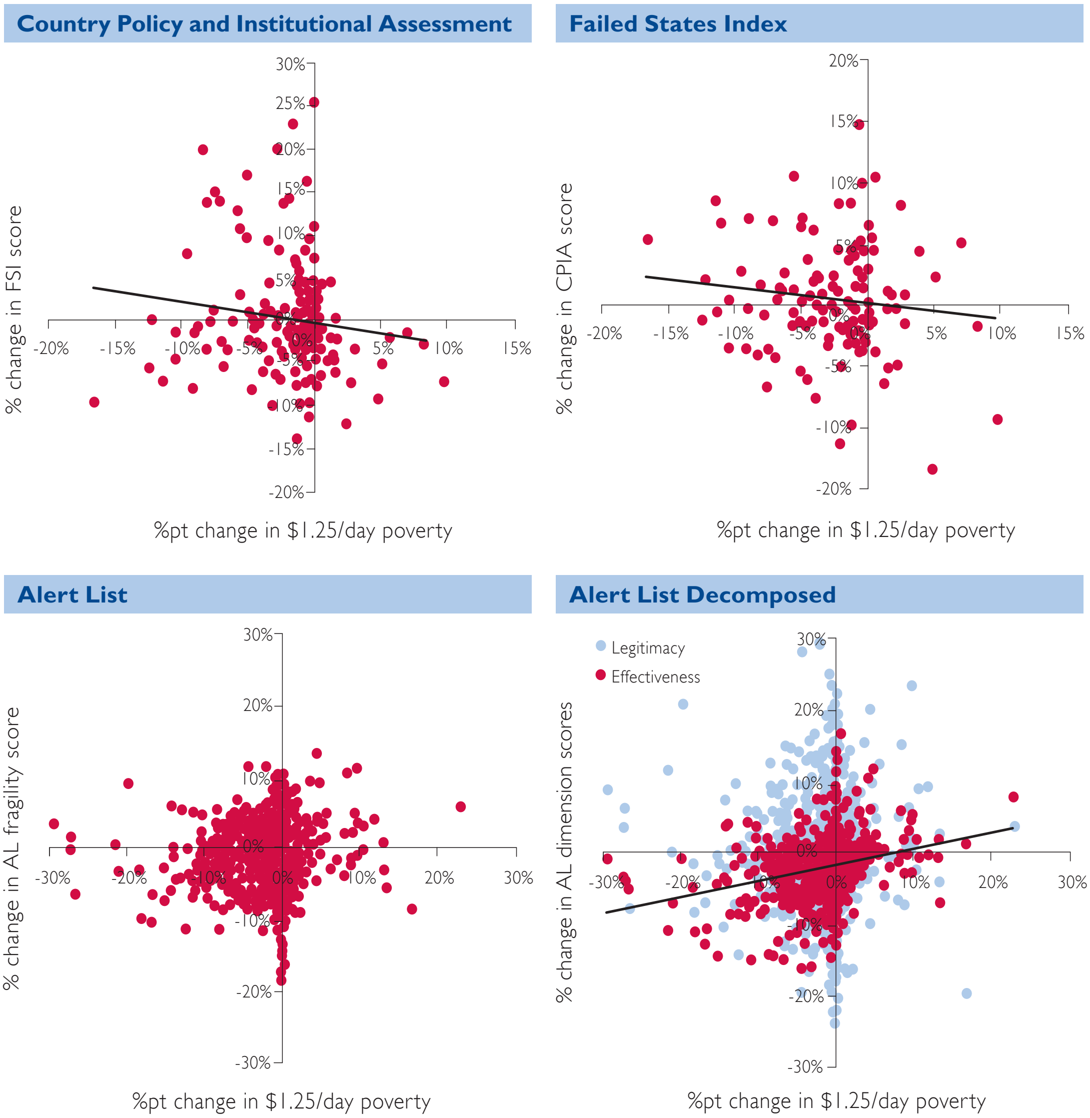
Differing characterizations pose one immediate problem: inconsistent counts of fragile states. USAID's mid-2000s approach, for example, identifies fewer than 20 fragile states, while the OECD finds more than 50. Under the narrower definition, fewer than 20 percent of low-income countries count as fragile; under the broader definition, nearly 80 percent do. Only nine countries meet all five criteria.[26]

A second problem is that, while levels of fragility correlate strongly with levels of poverty, *changes* in fragility tend to correlate poorly with changes in poverty.

This complicates the narrative that mitigating

22 Own calculations, based on PovcalNet; OECD-DAC Fragile States 2007; and OECD-DAC Fragile States 2014.
23 The top 10 by total percentage-point reduction between 1981 and 2010 are, in order: Bhutan, China, Vietnam, Pakistan, Cambodia, Nepal, Indonesia, Laos, Tajikistan, Timor-Leste. Five (Pakistan, Cambodia, Nepal, Indonesia and Tajikistan) experienced major conflicts.
24 Own calculations, based on PovcalNet and Armed Conflict, 1946-2012.

25 M Crosswell, "Identifying Fragile States: Approaches and Issues," USAID *Senior Economist #18*, Washington: 2013.
26 Own calculations, based on Crosswell; World Bank, "Harmonized List of Fragile States FY14," 2014; Fund for Peace, "Failed States Index 2013," 2013; and OECD-DAC Fragile States 2014; USAID and ARD Consortium, "Measuring Fragility: Indicators and Methods for Rating State Performance," Washington: 2005.



Source: Own calculations based on PovcalNet; USAID and ARD Consortium, "Measuring Fragility: Indicators and Methods for Rating State Performance," 2005; World Bank, "World Development Indicators," 2014; Failed States Index 2013.

fragility leads to poverty reduction.[27, 28]

Third, for measures that *do* produce a correlation, such as USAID's current definition, this seems to be only because the metric subsumes one of poverty itself. The very notion of fragility thus becomes tautological.

For example, when USAID's fragility measure is decomposed into its two components—legitimacy and effectiveness—it is clear that the effectiveness indicators substantiate the correlation. Yet many of these are direct or proxy measures of poverty itself: the $2-a-day poverty rate, youth

27 The lack of statistically significant correlation is due, in part, to limited time series in fragility indices, with publicly available CPIA and FSI scores dating only to 2005.

28 Own calculations, based on PovcalNet; USAID and ARD Consortium, "Measuring Fragility: Indicators and Methods for Rating State Performance," 2005; World Bank, "World Development Indicators," 2014; Failed States Index 2013.

When disaggregated, components of fragility have heterogeneous effects on poverty.[1]

	Effect on:	Poverty rate	Avg. consumption (log)	GDP per capita (log)	5yr-lagged GDP per capita (log)
VIOLENT	**Active major conflict**	0.044	-0.141	-0.123	-0.032
	Per UCDP-PRIO[2]	(0.94)	(1.32)	(1.73)	(0.56)
	Active minor conflict	0.042	-0.070	-0.073	0.014
	Per UCDP-PRIO[3]	(1.61)	(0.79)	(1.13)	(0.22)
	Post-conflict	**0.037**	-0.120	**-0.102**	**-0.095**
	Per UCDP-PRIO, w/i 10yrs[4]	**(2.14)***	(1.78)	**(3.06)****	**(2.70)****
	High violent crime	0.001	-0.015	**0.094**	**0.110**
	Homicide rate >0.02%[5]	(0.12)	(0.26)	**(2.01)***	**(2.57)***
VOLATILE	**Recent regime change**	**0.000**	**-0.300**	**-0.284**	-0.186
	Per Polity IV, w/i 10yrs[6]	**(1.75e+13)****	**(9.92e+14)****	**(1.71e+14)****	**(7.62e+14)****
	Resource wealth	-0.023	0.057	**0.084**	**0.062**
	>20% resource rents[7]	(1.17)	(1.27)	**(2.12)***	**(2.07)***
UNFREE	**Anocracy**	-0.020	0.061	-0.107	-0.148
	Per Polity IV[8]	(0.82)	(0.49)	(0.93)	(1.58)
	Autocracy	0.010	0.052	-0.259	-0.198
	Per Polity IV[9]	(0.23)	(0.42)	(1.35)	(1.87)
	_cons	0.126	5.197	9.224	9.112
		(6.10)**	(58.75)**	(111.07)**	(133.48)**
	R^2	0.05	0.04	0.05	0.06
	N	663	663	1,671	1,654

* p<0.05; ** p<0.01

1 This analysis of four dependent variables uses a fixed-effects regression, holding all place- and time-invariant characteristics steady, with binary "dummy" variables for eight fragility proxies.
2 L Themnér, "UCDP/PRIO Armed Conflict Dataset Codebook," Uppsala Conflict Data Program and International Peace Research Institute, Oslo: 2014.
3 Themnér, 2014.
4 H Strand and M Dahl, "Defining Conflict-Affected Countries," paper commissioned by UNESCO for the EFA *Global Monitoring Report 2011, The hidden crisis: Armed conflict and education*, 2010.
5 E Bisogno et al., "Global Study on Homicide 2013: Trends, Contexts, Data," U.N. Office on Drugs and Crime, Vienna: 2013.
6 MG Marshall, TR Gurr and K Jaggers, "Polity IV Project: Political Regime Characteristics and Transitions, 1800-2013: Dataset Users' Manual," Center for Systemic Peace, Vienna, VA: 2013.
7 P Collier and A Hoeffler, "Democracy and Resource Rents," Oxford University, Oxford: 2005.
8 Marshall, Gurr and Jaggers, 2013.
9 Marshall, Gurr and Jaggers, 2013.

literacy, infant mortality, children's immunizations, access to water and sanitation.[29] At the same time, improvements in legitimacy are, on their own, poor predictors of declines in poverty.[30]

Of course, all else equal, poor states *are* more fragile. But we should be concerned about endogeneity[31]—that we circularly define fragility using poverty. To understand the constraints to poverty reduction, we need a measure for fragility that is insulated from one of poverty.

29 USAID and ARD Consortium, "Measuring Fragility: Indicators and Methods for Rating State Performance," 2005.
30 Own calculations, based on PovcalNet and USAID and ARD Consortium, "Measuring Fragility: Indicators and Methods for Rating State Performance," 2005.

31 Endogeneity is a correlation between a statistical model's independent variable and the error term. There are various causes; one is simultaneity, when the independent and dependent variables are circularly causal. For instance, a model to predict consumer demand in a competitive market based on price may be endogenous because producers would adjust prices based on demand.

A few ideas for repurposing "fragility"

A more useful typology would disaggregate "fragility" and parse its components' varied effects on poverty. For instance, post-conflict countries see a 3.7-point higher extreme poverty rate when controlling for several other types of fragility and for all place- and time-invariant characteristics. Likewise, a recent regime interregnum lowers mean consumption by 30 percent. Yet other manifestations of fragility—including active conflict—show mixed or insignificant effects on poverty.[32]

Although insufficient data from the world's most unstable places may skew our findings, we should consider a couple of other possibilities that may help explain the puzzling findings on conflict and poverty: Localized conflicts, while devastating for affected communities, may not appreciably hinder poverty reduction nationwide; and some wars, while destructive, may usher in better, more beneficent governments—complicating the long-run implications.

Uganda offers an illustrative example. Decades of war exacted a catastrophic toll; yet, incongruously, few countries have been more successful in reducing poverty. Uganda's 35-percentage-point decline since 1990 is the sixth-steepest in Africa.[33, 34]

In Uganda's north, where the Lord's Resistance Army roamed unchecked for years, many people lost everything—cattle, assets, homes.[35] Thousands of former child soldiers, who missed out on education, today earn 33 percent less than their peers.[36] Yet this violence, however brutal, was largely relegated to three districts far from the capital. We don't know the counterfactual, but this localized fighting does not seem to have much impeded sustained national growth.[37]

Moreover, conflict helped galvanize Uganda's turnaround in the first place. In the 1980s, President Yoweri Museveni, then a rebel commander, mobilized an insurgency through "resistance councils." In peacetime, these structures morphed into local councils, an early and continued lynchpin of Uganda's decentralized governance.[38, 39]

We need to disentangle these causes, correlates and consequences. Fragility analyses, however, often provide an undifferentiated list of conditions. For example, the two pilot fragility assessments for the New Deal for Fragile States—for Sierra Leone and South Sudan—are clear, substantive and insightful. Yet each lists dozens of challenges; South Sudan's identifies 62 discrete "priority" actions.[40] In contrast, the practice of differential diagnosis, popularized for identifying *binding* constraints to economic growth, may provide a more practicable model.[41, 42]

At the same time, let's not "take refuge in

32 Own calculations, based on PovcalNet; World Development Indicators; MG Marshall, TR Gurr and K Jaggers, "Polity IV Project: Political Regime Characteristics and Transitions, 1800–2012," Center for Systemic Peace, Vienna, VA: 2013; Armed Conflict, 1946-2012; Armed Conflict 1946-2001: A New Dataset," *Journal of Peace Research* 39:5, 2002.

33 Undoubtedly, governance in Uganda raises other concerns, such as "no party democracy" and a venomous anti-LGBT law. But on extreme poverty, few African countries have done better.

34 Own calculations, based on PovcalNet, World Development Indicators; Polity IV; MEPV.

35 Blattman and Miguel, 2010.

36 C Blattman and J Annan, "The Consequences of Child Soldiering," *The Review of Economics and Statistics* 92:4, 2010.

37 World Bank, "Poverty Trends in Uganda: Who Gained and Who Was Left Behind?" *Inclusive Growth Policy Note*, Washington: 2012.

38 For example, the resistance-turned-local councils helped Museveni's government hold 86 listening seminars, develop educational materials for all 813 sub-counties and receive and review 25,547 memoranda from groups and individuals in the effort to draft a constitution.

39 JM Weinstein, "Autonomous Recovery and International Intervention in Comparative Perspective," Center for Global Development *Working Paper* 57, 2005.

40 Government of the Republic of Sierra Leone, "Fragility Assessment: Republic of Sierra Leone," 2013; Government of the Republic of South Sudan, "Fragility Assessment: Republic of South Sudan," 2012.

41 The approach, often called "constraints analysis" or "growth diagnostics," was pioneered by Ricardo Hausmann, Dani Rodrik and Andrés Velasco. The intent is to identify the most binding constraints to an economy's growth, and thus, the handful of policy interventions that will release the most potential.

42 R Hausmann, D Rodrik and A Velasco, "Growth Diagnostics," Harvard Kennedy School, Cambridge: 2005.

complexity."[43] We should consider each country's unique circumstances, of course. Deep contextual understanding is essential. But if we hope to scale and replicate transformative solutions, if we want to build partnerships across countries, we also need sound comparative analysis.

For instance, can we identify reasonable country "cohorts" *among* fragile states, homing in on particular conditions—shared across countries—that pose the greatest impediments to poverty reduction? And what novel solutions have already been tested within these groups? For example, Chile's countercyclical fiscal rules, informed by independent experts, help smooth the effects of volatile copper prices, and Botswana's professionally managed Pula Fund, which is invested in foreign securities, offsets depleted diamond stocks and manages price fluctuations.[44] Are these replicable models for other resource-rich countries? Disaggregation does not mean atomization—there's value in spotting similarities.

Most importantly, we should be wary of the easy narrative that some states are ensnared in fragility and avoid the conceit that—if we can only free them—the end of poverty lies just ahead.

Rather, we should focus on fixing what's fixable: building human and institutional capacity, scaling and replicating creative solutions and prioritizing the reforms and investments most likely to unlock sustained, inclusive growth. We should recognize that weak or unscrupulous leadership is hard to right and that the poorest countries are coming from much further behind.

Ending poverty—extreme or otherwise—demands that we take the long view. The path may be uneven and circuitous, but we should take heart in the extraordinary progress to date—even if, in some places, it's far from enough.

A Syrian man reacts while standing on the rubble of his house, while others look for survivors and bodies in the Tariq al-Bab district of the northern city of Aleppo. We must encourage peaceful and stable societies in order to end extreme poverty.
PHOTO: PABLO TOSCO / AFP

***Aaron Roesch** is a policy analyst in USAID's Bureau of Policy, Planning and Learning. The views expressed in this essay are his own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

43 R Zeckhauser, "Analytic Frameworks for Policy" (lecture), Harvard Kennedy School of Government, 2011.

44 J Frankel, "The Natural Resource Curse: A Survey of Diagnoses and Some Prescriptions," in R Arezki, C Patillo, M Quintyn and Z Min (eds.), *Commodity Price Volatility and Inclusive Growth in Low-Income Countries*, International Monetary Fund, Washington: 2012.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Q&A:

A Short Dialogue on Extreme Poverty in the Democratic Republic of the Congo

Between Diana Putman, USAID Mission Director, Christopher Darrouzet-Nardi, Mission Economist, and Victor Mangindula, Senior Program Specialist

How would you describe extreme poverty in the DRC?

Victor: The Democratic Republic of the Congo (DRC) is emerging from a long period of political turmoil and war. Despite recent progress toward the stabilization of the most conflict-affected eastern part of the country, insecurity still prevails in several locations. The consequent massive displacement of people, deterioration of basic infrastructure, destruction of productive assets and dramatic increase in urbanization have led to a prolonged economic downturn. Today no one can dispute the fact that large segments of the Congolese population live below the poverty line threshold of $1.25 per day.

Poverty-affected people can be grouped into several clusters based on the levels and characteristics of poverty. Those in the extreme poverty, or destitution, cluster are deprived of the most basic human needs, including food, safe water, health care, education, sanitation and shelter.

The face of extreme poverty is mostly visible in the numerous slums scattered across urban areas. In the capital city of Kinshasa, households without resources live in appalling conditions in cardboard huts along streams polluted with household or industrial wastes. Many of these families are single-parent households headed by women. These female heads have no access to economic opportunities and rely on meager resources drawn from activities that increase their exposure to health hazards and violence. They can neither afford to send their children to school nor provide them decent health care. Almost every day, they have to make the hard decision of choosing which one of their children will get one meal.

Chris: The average Congolese person is the face of the extreme poor in the DRC. With an estimated six out of seven people living on less than $1.25 per day, the outliers are people living above the extreme poverty threshold.

The DRC has the highest extreme poverty rate in the world. That high rate, coupled with the country's large, growing population (about 70 million today but expected to reach 100 million by 2030), puts the DRC on track to have the second-highest total number of people living in extreme poverty within 15 years.

Digging deeper, we see some trends: People living in rural areas are undoubtedly poorer than their urban peers and score worse on multidimensional aspects of poverty, including health, education and access to infrastructure. Women tend to be poorer than men, a phenomenon seen most acutely in female-headed households. Youth are especially affected due to poor employment prospects, low educational achievement and a large age cohort. In addition, certain provinces are poorer than others—notably Equateur, Bandundu and the Kasais—but extremely poor Congolese live in all regions of the country.

Looking beyond income to indicators such as infant mortality, literacy and malnourishment, considerable variability exists among the DRC's provinces. Generally speaking, Kinshasa tends to see less poverty than other provinces. Despite continued conflict in the East, the Kivus, southern Orientale and northern Katanga provinces do not fare worse categorically. In fact, they score much higher on some indicators, possibly because of extra support from donors.

Diana: I agree with how both of you characterize extreme poverty. Let me add a couple of additional comments. I have a painting in my office by a Congolese artist in shades of brown and orange that depicts people fleeing with only the things they can carry on their heads.

The latest numbers indicate that there are approximately 2.9 million internally displaced people in the Congo, many of them women and children. These are people driven from their homes—once, twice and some many times—by armed groups rampaging through the countryside, pillaging everything they find. These people have lost whatever meager assets they have been able to accumulate—perhaps a few cooking pots, farming implements, a pencil or notebook for children lucky enough to go to school or one spare change of clothes. How will they be able to get above the $1.25 threshold?

Or can the face of extreme poverty be found in the exhausted women street vendors in major cities who spend an hour or two walking to get to the city center, hawk vegetables or bread for only a few pennies profit and then return home to figure out which of their children will eat that night?

Yet I remain inspired by these Congolese people, who will be able to rise above this poverty when given the chance. You can see their dignity in the way they wear perhaps the only outfit they possess and their eagerness to take advantage of any and all opportunities they are given, whether it be literacy training, access to a savings and loan group or new seeds and tools.

What do you see as the biggest challenges to ending extreme poverty in the DRC? What have been the most promising efforts so far for reducing extreme poverty?

Chris: The biggest challenges to eradicating poverty in the DRC include poor governance, an almost complete lack of infrastructure, the country's vast size and its low starting point, and the sheer depth of poverty. The most promising efforts to reduce poverty involve accelerating inclusive economic growth and scaling up effective programs to improve multidimensional poverty scores.

Poor governance is a deep-rooted problem in the DRC that dates back to colonial times. Government employees have a vested interest in maintaining a corrupt, malfunctioning administrative system, one in which personal enrichment is the valued norm and impunity prevails. When you add in an underpaid and under-skilled workforce, the Government of the DRC becomes overwhelmed by the needs of its citizens.

The absence of nearly any road network in the DRC—a country equal in size to Western Europe—contributes to the challenge of elevating people out of poverty. The remoteness of many regions poses an extreme limitation on access to services and markets, as well as on the amount of influence government can have in citizens' lives. Millions of Congolese effectively live out of the reach of any type of government or donor intervention or modern economic activity.

The good news in the DRC is that the economy is growing at a steady clip, averaging 6.3 percent real growth per year for the last decade. Even given the high population growth, real GDP per capita is rising at least 3.3 percent on average each year. A key component of this success has been stable macroeconomic policy and several years of high prices for minerals—including copper, coltan and gold. Inflation is in the single digits and likely to remain that way.

When the notion of poverty is broadened to include social indicators, there is reason for further optimism. The 2014 Demographic and Health Survey shows improvements in nearly all important categories, including child and neonatal mortality, measures related to underweight children and the prevalence of malaria. Nonetheless, the absence of investments in agriculture and in infrastructure such as roads, railways, river transport and energy—the primary economic activities for the bulk of the population—makes it difficult to further accelerate and sustain inclusive growth.

Most important, the DRC is at an abysmally low starting point. With a growing population of 70 million people, a rapidly expanding urban population, poor infrastructure and a small amount of total economic activity, even substantial gains—such as a 7-percent growth rate—will compound very slowly in terms of eradicating extreme poverty. There are just so many people living so far below the poverty line.

Victor: Ending extreme poverty in the DRC will require the restoration of foundations for broad-based economic growth and an improved provision of basic social services in both urban and rural settings. A strong political commitment by the government and increased availability of financial resources are essential to attaining these objectives. More investments in the productive sectors, such as agriculture and small-scale industry, as well as support services (such as feeder roads and marketing channels) are needed to improve livelihoods at the grassroots level.

The Government of the DRC has formulated a strategic framework focused on poverty reduction and growth to guide its annual action plan and priority investments. The government is using domestic and external resources to finance substantial investments in basic infrastructure development. Over the last few years, the country has successfully stabilized the macroeconomic environment, which now reports low inflation rates, reduced public finance deficits and increased foreign exchange reserves. High growth rates have been induced by expanded foreign investment flows into the mining sector; however, concerns have been voiced that growth in this sector has no trickle-down effects at the grassroots level.

Diana: So true, gentlemen. The prerequisites for inclusive economic growth boil down to political will, vastly improved governance, infrastructure expansion and greater attention to agriculture—and not just mining—with a focus on conserving the Congo Basin's natural resources. Importantly, the Congolese people are responsible for their own destiny, and their embrace of modern systems in areas such as justice and rule of law will be essential to building their economy. Additionally, increased attention must be paid to creating a literate, healthy workforce with fewer children per couple, so that families will be able to move out of poverty.

Let me also mention the new country development cooperation strategy of the USAID mission in the DRC. This strategy is focused on improving governance and strengthening the capacity of Congolese institutions—be they government, non-governmental, private sector, faith-based or community-based organizations.

With limited resources for funding agriculture or economic growth programs, we are severely constrained and must take a more indirect route in reducing extreme poverty. Our ample health and education funds give us the opportunity to put in place some of the precursor conditions that will enable the Congolese population to take advantage of economic opportunities as they arise.

The views expressed in this Q&A are those of the interviewees and do not necessarily represent the views of the United States Agency for International Development or the United States Government.

Capturing Women's Multidimensional Experiences of Extreme Poverty

Catherine Cozzarelli and Susan Markham

Measuring poverty

At the heart of USAID's new mission statement is a commitment to working with partners around the globe to end extreme poverty. This priority, which we share with other development practitioners, is central to the goals of the post-2015 Development Agenda. Demonstrating progress toward this target requires the assessment and tracking of extreme poverty levels.

Traditionally, poverty and extreme poverty have been assessed at the household level via income- or consumption-based measures, most frequently in relation to the purchasing-power-parity-based World Bank guidelines currently estimated at $2 for poverty and $1.25 for extreme poverty. However, feminists and other researchers applying a gender lens to the study of extreme poverty have long argued that these gender-blind measures do not accurately capture the prevalence of extreme poverty among females as compared to males; nor do they capture the complexities and differences in how women and men experience poverty.[1]

To accurately compare the prevalence of extreme poverty among women as compared to men, researchers must assess poverty at the individual, rather than household, level. This has proven to be a steep methodological challenge. Household-level assessments are based on the assumption that all household income or assets are shared equally among household members.

Yet a wealth of research now shows that women are often severely disadvantaged within their households, challenging the assumption that they benefit from an equal share of resources or control over income or assets. Therefore, to assess poverty at the individual level, researchers must estimate within-household inequalities. Modeling, at best an imprecise endeavor, is often used to do so.

Aside from the methodological challenges, the conceptual question exists of whether poverty should be assessed using only income-based

1 Chant, S. (Ed.) (2010). *International Handbook of Gender and Poverty: Concepts, Research, Policy*. Cheltenham: Edward Elgar.

A Kenyan woman breaks stones for a local construction company at a quarry with her children. Women are more likely to be employed in the informal sector than men, often holding jobs that pay lower wages while also maintaining housework and care responsibilities at home. PHOTO: TONY KARUMBA / AFP

measures. Many experts have argued that, just as human well-being is a multidimensional concept, poverty measures should likewise reflect the numerous forms of deprivation that men and women often experience.

Women's experiences of extreme poverty can be more complex and multifaceted than men's. In many cases, they are starting from more marginalized, less powerful positions than men, and any additional burdens will further exacerbate these differences.[2] In addition, the multiple ways that social norms and expectations impact the lives of women and men ensure that the experience of extreme poverty will be profoundly impacted by gender.

Women's experiences of poverty

Income is but one important dimension of how women experience poverty. Although no universally accepted set of key dimensions yet exists, deprivations in knowledge, nutrition and health, property ownership, time and decision-making power are among the most frequently mentioned.[3] Consider, for example, Amartya Sen's very influential framing of poverty beyond the lack of

2 Coates, A. (2010). "Multidimensional poverty measurement in Mexico and Central America: Incorporating rights and equality," In Chant, S. (Ed.) (2010). *The International Handbook of Gender and Poverty: Concepts, Research, Policy*. Cheltenham: Edward Elgar.

3 Chant, S. (2008). "The 'Feminisation of Poverty' and the 'Feminisation' of Anti-Poverty Programmes: Room for Revision?" *Journal of Development Studies*, Vol. 44, No. 2, pp. 165–197, February.

economic resources to include deficits in capacities and opportunities to "lead the kind of lives that people have reason to value."[4] According to this formulation, economic resources are just one of many resource types needed to experience a life that has value and dignity.

Abundant research makes it clear that women in many parts of the world have lower levels of education and less access to resources, capabilities and opportunities than men.[5] In this sense, they can certainly be considered to be poorer. Take for example the persistent gender gap in employment. In 2012, there was a 24.8 percentage point difference in the employment-to-population ratio for women as compared with men.[6] Women are more likely than men to be employed in the informal sector, are typically stratified into jobs that pay lower wages and have less access to productive assets and financial resources.[7]

The multiple ways that social norms and expectations impact the lives of women and men ensure that the experience of extreme poverty will be profoundly impacted by gender.

Across 63 developing countries, girls in both primary and lower secondary age groups were more likely to be out of school than boys. This school attendance gender gap widens in lower secondary education, even for girls living in better-off households.[8]

Furthermore, although the unmet need for family planning declined in all regions between 1990 and 2013, an estimated 140 million women who wanted to stop or delay childbearing did not have access to family planning in 2013.[9] In many countries, women have less influence over household decisions than men, and they are much less likely than men to hold positions of political power.[10] Finally, in most countries, gender inequalities tend to be greater among the poor than the rich, especially inequalities related to education, health and economic opportunity.[11]

It is also important to consider differences in how women and men cope with extreme poverty and how these responses can deepen many dimensions of poverty itself. When household economic resources are constrained, for example, women may respond by increasing the time they spend earning income, in addition to maintaining routine care work in the home. Because men, regardless of whether they are earning an income, often do not increase the amount of time they spend on housework or care responsibilities, this often means that women work far longer hours, have less leisure time and suffer from higher levels of time poverty.[12]

4 Sen, A. (1999). *Development as Freedom*. New York: Anchor Books.

5 World Bank. (2011). *World Development Report 2012: Gender Equality and Development*. Washington D.C.: The World Bank.

6 http://www.unwomen.org/en/news/in-focus/mdg-momentum#MDG1

7 Grown, C. (2014). "Missing women: Gender and the extreme poverty debate." A paper prepared for USAID under Award #AID-OAA-0-13-00103 Mod 1.

8 http://www.unwomen.org/en/news/in-focus/mdg-momentum#MDG2

9 http://www.unwomen.org/en/news/in-focus/mdg-momentum#MDG5

10 World Bank. (2011). *World Development Report 2012: Gender Equality and Development*. Washington D.C.: The World Bank.

11 World Bank. (2011). *World Development Report 2012: Gender Equality and Development*. Washington D.C.: The World Bank. Also, Duflo, E. (2011). "Women's empowerment and economic development": National Bureau of Economic Research.

12 Chant, S. (2010). "Towards a (re)conceptualization of the 'feminiza-

Men more often than women cope with poverty by seeking escapes, through the use of alcohol or drugs or by abandoning their families and the attendant financial obligations. Such strategies deplete household resources and put the onus on women and older girls to shoulder additional responsibilities and find ways to cope.[13]

Moving forward

Moving forward in the battle against extreme poverty, USAID and its partners should measure progress not just in terms of the ability of women and girls to earn and make use of income, but also in terms of their empowerment. This can be gauged in terms of decision-making power in households and communities, increased skills and capacities, the ability to benefit equally from assets and resources and progress in building more equitable relationships with their male partners. By viewing women's multidimensional and complex experiences of poverty in this way, we will bring our work in line with current research and help it more effectively respond to the experiences of women living in extreme poverty.

Many ongoing USAID programs clearly contribute to reaching these gender equality objectives. The Agency has helped develop women's capacities as political and social leaders, increased their access to key agricultural resources and quality health and nutrition services, supported female entrepreneurs and equipped young women with the education and technical skills they need to earn a decent living.

But we could do more. This includes collecting data at the individual level that will tell a deeper and richer story about how women worldwide experience extreme poverty. Information on key dimensions such as access to or control over assets, participation in informal employment and unpaid work and use of time are not routinely collected in most countries. It will be important to build upon efforts to systematically collect these data as the international community works toward key gender goals and targets in the context of the post-2015 Development Agenda.

Programmatic responses to extreme poverty must recognize the intersections of gender roles and norms, of social structures and stratifications and of state programs and policies as determinants of outcomes for individual women and men. We must design programs tailored to the specific, gender-based challenges faced by the women we are seeking to empower.[14]

***Catherine Cozzarelli** is the senior gender adviser in the USAID Bureau for Policy, Planning and Learning, and **Susan A. Markham** is the USAID senior coordinator for gender equality and women's empowerment. The views expressed in this essay are their own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

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13 Chant, S. (2007). *Gender, Generation and Poverty: Exploring the "Feminization of Poverty" in Africa, Asia and Latin America.* Cheltenham, UK and Northampton, MA, USA: Edward Elgar.

14 For an excellent discussion of the types of programmatic responses most likely to benefit poor and very poor women, see Grown, C. (2014). "Missing women: Gender and the extreme poverty debate." A paper prepared for USAID under Award #AID-OAA-0-13-00103 Mod 1.

Paraguay's Poverty Spotlight: Focusing on Women and Markets for Innovation, Tangible Success

Steven E. Hendrix

Paraguay's Poverty Stoplight pilot project shows how a relatively low-cost approach can help us better understand the drivers of poverty and help families improve their welfare. *Fundación Paraguaya*, a local non-governmental organization (NGO), developed this approach through reliance on new technologies, market-driven incentives and financial sustainability and with an eye toward empowering women.

In its first three years of operation, Poverty Stoplight used just $500,000 from USAID and leveraged another $1 million from other donors and a parallel microlending program to help improve the welfare of 18,000 families, or about 92,000 people. This replicable project illustrates how relatively small amounts of foreign assistance can generate promising, tangible steps toward reducing poverty.

An inventive approach toward multidimensional poverty

Fundación Paraguaya created Poverty Stoplight to understand and address the household-specific constraints that keep families below the poverty line. The approach uses household-level poverty assessments and action plans and delivers opportunities to access microcredit, support for microenterprise development and access to client networks.

The Foundation implements the Poverty Stoplight primarily through its microfinance village banks. A user-friendly poverty assessment, administered by village bank agents, lies at the heart of the approach. Families use a smart phone application or tablet program to complete a self-evaluation survey with 50 indicators. These indicators address six dimensions of poverty: income and employment, health and environment, housing and infrastructure, education and culture, organization and participation, and "interiority and motivation," which includes measures such as self-esteem and entrepreneurial spirit.

The entirely visual survey presents three depictions for each indicator—tagged green, yellow and red—of what is typical for non-poor, poor and extremely-poor households. For housing

A women's artisan committee in Horqueta, Paraguay, receives specialized training. The USAID-supported Poverty Stoplight program can use maps of communities and layers of information to help policymakers and NGOs target their technical assistance to better serve community needs. PHOTO: USAID

and infrastructure, for instance, these pictures show different toilets or water sources.

Microfinance agents then work with clients to design a Family Development Plan. The families themselves identify ways to move these indicators from red and yellow to green. Agents support the process, noting opportunities for families to draw upon training, technical assistance or small loans.

Whenever the challenge requires higher family incomes, Poverty Stoplight connects interested households with opportunities for affordable, self-financing micro-franchises. These micro-franchises, designed especially for women, include activities such as jewelry-making, selling non-prescription eyewear and door-to-door cleaning services.

The Foundation set a broad goal of helping clients increase their incomes by about $120 per month, roughly doubling their income. Over two-thirds of clients surpassed this goal in less than one year. Key to success has been getting clients to think of themselves less as beneficiaries and more as empowered agents of change.

The Foundation has since secured a small donation from the Inter-American Development Bank to develop new micro-franchises for program clients, based on market and client surveys. To help households make progress on other indicators, the Foundation established a client network that functions in ways similar to a buyers' club in the United States, allowing members privileged access to certain vendors and providers, including group health insurance and recreational opportunities.

While USAID funded Poverty Stoplight's

A small-scale farmer in rural Paraguay picks passion fruit that she will sell through a local farmers collective. With Paraguay's estimated poverty level at 35 percent, Poverty Stoplight has the potential to improve the welfare of Paraguay's poor communities. PHOTO: LAURA RODRIGUEZ / USAID

development, the program itself is fully paid for by the Foundation's micro-credit lending activities, making the program fully self-sustaining. Micro-credit lending finances family needs in areas such as home improvements, education and health and helps them meet the goals in their Family Development Plans. Credit advisers meet with clients once a month to assess progress and offer advice.

Beyond a single project

Poverty Stoplight's benefits are extending beyond the program's direct clients. Fundación Paraguaya has used the tool to identify issues faced by its own employees and, as a result, provide training to reduce sexual harassment and deliver targeted assistance to some of the poorer households.

Civil society organizations in Paraguay and beyond have been using the Stoplight. British NGO Volunteer Uganda has collaborated with Fundación Paraguaya to adapt the program and has already conducted an initial survey of 5,000 families. In Tanzania, Fundación Paraguaya is working with Italian NGO Acra to launch the program for family members of students at three schools that cater to poor children. The American University of Nigeria has adapted the Poverty Stoplight for local linguistic use. Choice

Humanitarian, a faith-based NGO in Utah, has expressed interest in supporting the Poverty Stoplight in Guatemala, and Mexican NGO Promujer has offered to help the Foundation focus a program in the Mexican city of Bachuca.

Telling the full story

Rates and indexes do not tell the full story of poverty. According to the World Bank, Paraguay's poverty rate is 35 percent. But who are the poor? Where do they live? Why are they poor?

Poverty Stoplight creates geo-referenced maps of communities with layers of information as to why households are poor. It can help policymakers and NGOs geographically target their services and, just as important, ensure that public services are more responsive to community needs.

When they know why people are poor, policymakers can target interventions for the cause of a problem, not just the problem itself.

When they know why people are poor, policymakers can target interventions for the cause of a problem, not just the problem itself. If motivation is the issue, then interventions should focus in this area. If it is access to credit, then financing may be the solution. If people lack knowledge, perhaps training is the answer.

By helping policymakers pick the right tool for the cause, not the problem, the Stoplight has the potential to help improve the welfare of poor communities while strengthening governments' accountability to citizens.

The Poverty Stoplight has been criticized for "cherry picking" its beneficiaries. After all, the households that become clients of Fundación Paraguaya's microfinance institutions are more likely to be creditworthy and possess some entrepreneurial skills, compared to poorer households. Although this selection bias may exist, the Stoplight nevertheless remains a promising diagnostic tool. It allows us to map poverty, help those who can move out of poverty to do so and focus assistance very narrowly on the small number of people remaining who still require a helping hand.

The Poverty Stoplight still needs to be rigorously evaluated. For instance, how do poverty trends among participating households compare to those in non-participating households? How sustainable are the gains made by participating households and communities? And how have findings shaped government spending? These are but a few of the questions that remain.

Nevertheless, if a creative, $500,000 program can help 18,000 households improve their welfare in as little as a year or two, imagine how much more we can accomplish if a national government or donor scales up this kind of approach.

***Steven E. Hendrix** recently completed four years as assistant mission director in USAID/Paraguay and is now the supervisory program officer with USAID/Nigeria. The views expressed in this essay are his own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

Q&A:

Extreme Poverty in the Philippines

Gil Dy-Liacco, Development Assistance Specialist in USAID/Philippines' Office of Program Resources Management

How would you describe extreme poverty in the Philippines?

In 2012, extreme poverty in the Philippines was estimated at 19.2 percent of the population, or about 18.4 million people, based on the international poverty line of $1.25 per day. Most of the poor in the Philippines live in rural areas and work in the agriculture sector, mainly in farming and fishing. Urban poverty, however, has been increasing in recent years. Migrants without jobs or with low-paying jobs are unable to afford decent housing. As a result, Philippine cities have high proportions of informal settlers who are among the poorest of the poor.

Moreover, poverty is severe in parts of the country with high levels of conflict. The Philippines' 10 poorest provinces are considered either conflict-affected or vulnerable to conflict.

The poor in the Philippines have families of six or more members, with greater numbers of younger and older dependents. In the majority of poor families, the head of household has only an elementary education or below. These families have few or no assets and minimal access to electricity, water sources and toilet facilities. They also have limited access to health and education services.

Among Philippine citizens, the poor are most vulnerable to financial and price shocks and natural disasters. Often their efforts to cope with these shocks and make up for lost livelihoods and income result in deeper levels of indebtedness.

What do you see as some of the biggest challenges to ending extreme poverty in the Philippines? What have been the most promising efforts so far in reducing extreme poverty?

In the Philippines, the key challenges to ending extreme poverty are the same as the country's development challenges: weak governance and a lack of fiscal space, which reflect pervasive corruption, elite capture and state capture;

inadequate education and health services; the persistence of armed conflict in the southern island of Mindanao; inadequate natural resources management; and increased frequency and intensity of natural disasters.

The country's long history of policy distortions has led to patterns of growth that have failed to provide good jobs to the majority of Filipinos. Cities in the Philippines have not been able to keep pace with the explosive growth of urban populations, as evidenced in infrastructure and housing deficiencies, traffic congestion and environmental pollution. The private sector's reluctance to invest and create more and better quality jobs reflects the country's weak investment climate for firms of all sizes.

The Government of the Philippines currently provides targeted direct assistance to the extremely poor through social protection programs. Through a conditional cash transfer program, extremely poor families receive cash assistance when they fulfill requirements for free, government-provided child immunizations and enroll their children in school. In order to fund and implement its universal health program and improve access to basic education, the Government of the Philippines is aggressively accelerating revenue collection, improving public expenditure management and addressing constraints to effective local governance.

At the same time, the Government of the Philippines recognizes that ending extreme poverty requires strategies and programs aimed at sustaining inclusive, resilient growth. USAID, through the U.S.-Philippines Partnership for Growth, is helping the Government of the Philippines address binding constraints to inclusive growth by improving the quality of policies, regulations and their implementation; strengthening rule-of-law and anti-corruption measures; improving fiscal performance; and promoting human capacity development. USAID supports efforts to help the second-tier cities outside of Metro Manila to become effective engines of growth in their localities and surrounding areas.

USAID is fostering peace and stability in conflict-affected areas of Mindanao, where many of the country's poor reside. USAID is enhancing environmental resilience through programs that mitigate the impact of natural disasters, so as to minimize the impact on the poor, who are disproportionately affected by these disasters. USAID is also implementing programs that improve access to quality education and health services. Finally, through humanitarian assistance work in disaster- and conflict-affected areas, USAID is supporting efforts to restore immediate access—especially for the poor—to basic services.

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To Tackle Extreme Poverty, We Must Take on Extreme Inequality

Winnie Byanyima

We live in a world of extremes. Too many still toil in extreme poverty. On the other extreme, income and wealth are increasingly concentrated in fewer and fewer hands. In January 2014, Oxfam found that the 85 richest people owned as much wealth as the bottom half of humanity, 3.5 billion souls.[1] And that figure has reduced: Today just 66 people own the wealth of half the world.[2]

New billionaires are emerging in all corners of the globe. If poverty is declining, then why should we concern ourselves with the growing concentration of income and wealth at the top? Why should we worry about inequality?

The first reason is arithmetic. Many developing countries have achieved high rates of economic growth. But the more unequal a country, the less the benefits of growth tend to flow to the bottom of the economic pyramid.[3] In theory, the wealthiest might reinvest their income into productive enterprises and drive economic growth.

In practice, however, the wealthiest seek investment opportunities outside of their countries, hiding assets and seeking the safety and anonymity of tax-haven bank accounts. Oxfam estimates that at least $18.5 trillion has been burrowed away by wealthy individuals, depriving governments of more than $156 billion in tax revenue.[4] The missing money is twice the amount required for every person in the world to be living above the $1.25-a-day "extreme poverty" threshold.[5]

1 Oxfam, Working for the Few, January 2014, p. 2. (http://www.oxfam.org/sites/www.oxfam.org/files/bp-working-for-few-political-capture-economic-inequality-200114-en.pdf)

2 Kasia Morena, Forbes, "The 67 People as Wealthy as the World's Poorest 3.5 Billion," March 25, 2014. See: http://www.forbes.com/sites/forbesinsights/2014/03/25/the-67-people-as-wealthy-as-the-worlds-poorest-3-5-billion/

3 Martin Ravallion, "Inequality is Bad for the Poor," World Bank Development Research Group, 2007. See: http://siteresources.worldbank.org/INTPOVRES/Resources/Inequality_is_bad_for_the_poor_ABA.pdf

4 http://www.oxfam.org/en/eu/pressroom/pressrelease/2013-05-22/tax-havens-private-billions-could-end-extreme-poverty-twice-over

5 Laurence Chandy and Geoffrey Gertz, "Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015," Brookings Institution, January 2011, estimates that bringing everyone to a minimum of $1.25/day would take $66 billion in 2010. Note that this estimate was made before recent price data from the International Comparison Project that may lead to dramatically reduced global poverty estimates and

A Sudanese worker inspects damage to a burnt oil-processing facility in Heglig, Sudan. African countries hold vast mineral and energy wealth that could be converted into economic infrastructure, social progress and human capital. PHOTO: ASHRAF SHAZLY / AFP

Second, economic growth itself is undermined by high rates of inequality, as shown in new research by organizations including the International Monetary Fund.[6] The mechanisms for reducing poverty are hurt when the benefits of growth are not broadly shared. Highly unequal societies offer less opportunity for people to improve their situations. Income mobility—the ability to improve one's station through hard work and talent—is lower in unequal countries.

This means that millions of people face low prospects for self-improvement for themselves and their children, destroying human and economic potential. When economic growth is stifled in highly unequal economies, it's the extremely poor who pay the greatest price.

Third, we must recognize that the shape of poverty is changing. Most poor people no longer reside in poor countries. Most of the poorest people live in middle-income countries, like China, India and Brazil, that have achieved economic growth, have competent and functioning governments and have burgeoning middle classes.

Yet poverty remains. For these countries, the challenge of eliminating extreme poverty is different. Issues of national inequality, distribution of benefits and government interventions are much more acute in these contexts.

At the same time, we should recognize that poverty and inequality have important gender

would therefore reduce the transfers needed to bring all people to $1.25/day. See http://www.brookings.edu/blogs/up-front/posts/2014/05/05-data-extreme-poverty-chandy-kharas

6 Andrew Berg and Jonathan Ostry, "Inequality and Unsustainable Growth: Two Sides of the Same Coin?" IMF, April 8, 2011. See http://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf and Jonathan Ostry, Andrew Berg and Charalambos Tsangarides, Redistribution, Inequality, and Growth, IMF staff discussion note, February 2014. See: http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf

dimensions. There is clearly a considerable gap in the economic conditions and opportunities of men and women. This gap is linked to: women's relegation to the worst-paid and most insecure jobs—the global wage gap is such that it will take 75 years to achieve "equal wage for equal work"; women's almost-universal responsibility for care work; and laws and practices that limit women's ownership of assets and wealth.

Thus, gender inequality drives poverty and undermines economic growth. For this reason, it is both socially just and imperative that the transformative changes we seek promote opportunities for and access to decent work for women and encourage women's influence and decision-making over markets, policy and household spending.

President Obama has called inequality "the defining challenge of our time." He also has committed to help eradicate extreme poverty. I believe we must take these issues on together.

The agenda for action starts in developing countries, but it does not end there by any means. A good example of this is in the extractive industries sector, where action is needed globally. We know that vast mineral and energy wealth will be brought to the surface from African countries in the next two decades. This wealth could be converted into economic infrastructure, human capital and improved social progress in some of the poorest countries on Earth. Or it could be wasted, lost or squandered.

African governments, working with citizens, must rapidly build their expertise to assess and manage their natural resources. They must create transparent and accountable systems to manage their resources and the income that comes with their development. Ghana's Petroleum Revenue Management Act is a good example of how targeted regulation can promote shared prosperity.

The United States and other countries must play their part. For example, improved transparency and disclosure by oil and mining companies will help shareholders and the public ensure fair play, good business practices and accountability. This information helps keep everyone honest and can enable African governments and citizens to better understand deals and make sure they are fair and beneficial. This information will also help to keep the sticky fingers of politicians and bureaucrats off of the piles of money that are meant for citizens. Resource booms create great risks of exacerbating income inequality—but it doesn't have to be this way.

Improving tax systems and tax transparency is also vital. Secretive tax havens facilitating the hemorrhaging of income and assets from poor countries must be shut down. The United States and other G-8 countries promised to take action on this in 2013. In addition, strong programs for public services and social support must be built to ensure that the benefits of economic growth are shared.

The agenda to end extreme poverty should be matched with an agenda to end extreme and growing economic inequality. Both are historic challenges, and neither is likely to be overcome in isolation. Solutions will be synergistic: Economic growth helps to pull people out of poverty, while reduced inequality increases economic growth.

For the people living in extreme poverty, climbing a few steps on the economic ladder can be the difference between sickness and health, life and death. But having an unobstructed path to the top, a chance to hope and dream, is the difference between surviving and living.

***Winnie Byanyima** is executive director of Oxfam International. The views expressed in this essay are her own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

Politics, Global and Local

TANG CHHIN SOTHY / AFP

Thinking and Working Politically to Eradicate Extreme Poverty

Larry Garber

The call in President Obama's 2013 State of the Union address to eradicate extreme poverty over the next 20 years is comparable to President Kennedy's 1961 promise to place a man on the moon before 1970. The idea is the same: Set a bold vision, motivate policymakers and the general public, and invest sufficient resources to accelerate the necessary technological advances to meet the challenge.

However, eradicating extreme poverty worldwide will depend upon an ingredient beyond the control of President Obama and his successors: the policies of the countries where extreme poverty remains most prevalent. Therefore, as the United States and other countries shape this noble commitment into the goals that will succeed the Millennium Development Goals, and as USAID includes the eradication of extreme poverty into the heart of its new mission statement, we must understand the rationale behind host country political choices that contribute to extreme poverty. We then must determine how the international community can best play a role in affecting those choices.

As the United Nations High-level Panel on the Post-2015 Development Agenda reveals, the fight to eliminate extreme poverty will take place primarily in countries that experience poor governance, are subject to ongoing conflicts or both.[1] The situation in Nigeria exemplifies these challenges. Even though Nigeria's economy has grown at an average rate of 7.5 percent per annum during the past decade, the number of people living in extreme poverty increased by 22.8 million between 2002 and 2010.[2]

This seeming anomaly exists for several reasons, including a high rate of population growth, low literacy rates and poor mobilization of domestic resources. All of these stem from policy choices made by, in this case, a democratically elected government. These choices are influenced by political elites who have made their own calculations about

1 "United Nations, Report of the Secretary-General's High-level Panel of Eminent Persons on the Post-2015 Development Agenda (2014)."

2 PovcalNet: The online tool for poverty measurement developed by the Development Research Group of the World Bank (http://iresearch.worldbank.org/PovcalNet/index.htm).

A protester holds a placard to mark the anniversary of a crackdown on villagers demonstrating against a Chinese-backed copper mine in Burma. Giving a voice to the poor and marginalized members of society should cause political leaders to take their needs more seriously. PHOTO: DOE THAN WIN / AFP

what constitutes their nation's best interests.

Even when Nigeria's federal and state governments adopt pro-poor policies, such as increased funding for basic education or health services, the weak capacity of local actors and siphoning of resources by corrupt leaders hamper implementation. The conflict in the country's northern regions represents a manifestation of this problem and exacerbates the challenges of responding to the specific needs of those most impoverished.

International development donors and academics traditionally focus on the constraints to growth that exist within a country and assume that eliminating these constraints will drive economic growth and simultaneously reduce extreme poverty, whether it is defined as $1.25 a day or through a more multidimensional approach. Depending on a country's circumstances, these constraints might include a lack of physical infrastructure, weak legal processes or inadequate human capacity—all of which discourage domestic and foreign investors and exacerbate the circumstances of extreme poverty. Hence, international donors must not only provide resource and knowledge transfers, they must also encourage host country actors—including government counterparts, the private sector and civil society—to address these constraints through policy changes and through improving implementation mechanisms.

Analyses of growth constraints, however, do not address why seemingly obvious policy changes have been so hard to make. Nor do they pay particular attention to regime type. Circumstances in China today, like those of the Asian Tigers in a past era, suggest that the eradication of extreme poverty can occur under authoritarian regimes. On the other hand, too many governments have justified their non-democratic tendencies as essential to social and economic change, and then they've deteriorated into corrupt and abusive regimes that have resulted in a significantly poorer citizenry and profound societal ills that require decades to cure. Moreover, growing evidence exists (while still hotly disputed in academic circles) that democracy spurs economic growth by encouraging investment, increasing human capacity through schooling, inducing economic reforms, improving the provision of public goods and reducing social unrest.[3]

Many donor countries have developed tools to help them better understand the institutional realities that drive public policy in the countries in which they operate. These analyses map the key actors, rules of the game, existing incentive structures, and historical and foundational factors. When done well, such analyses provide profound insights into governance weaknesses and the rationale behind political choices. Ironically, by highlighting the entrenched nature of political elites and the challenges associated with achieving consequential reforms, these analyses often reinforce skepticism regarding the prospects for change.

A political economy analysis may explain the reasons behind the lack of human capacity in key ministries, the corruption that serves to benefit elite interests and the reluctance to allocate scarce government-controlled resources toward the health and education needs of the poor. However, even with such an understanding, political power structures still seem impervious to change. Therefore, we need to not only think, but also work, politically.

What does working politically mean in the context of eradicating extreme poverty? The answer requires consideration of both the substantive aspects of the fight and the internal process changes in how the international community operates. The answer also assumes a definition of extreme poverty that is broader than the $1.25 a day benchmark.

Working politically also involves a change in donor mindset, particularly in the context of addressing the concerns of the extreme poor, and it incorporates some or all of the following elements:

- Excellent understanding of local context, using political economy analysis as a knowledge base
- Prioritization of local leadership and capacity, and building on what exists
- Iterative approaches for exploring complex problems and the range of possible solutions
- Encouragement of experimentation and innovation combined with mechanisms for rapid feedback and learning
- Flexible, adaptive procedures that account for the unpredictability and uncertainty of change and allow policymakers to seize opportunities
- Long-term investments in building knowledge, relationships and networks[4]

As framed by practitioners from The Asia Foundation, working politically requires the mobilization of local "development entrepreneurs" to identify politically feasible approaches, build coalitions and networks, and seize political opportunities.[5] The Foundation's case studies highlight a series of reforms in the Philippines that transformed the telecommunications, civil aviation and sea transport sectors. The approach used in these reforms involved a concerted effort

3 D. Acemoglu, S. Naidoo, P. Restrepo and J. Robinson, *Democracy Does Cause Growth*, NBER Working Paper 20004 (2014).

4 This set of characteristics is drawn from recent publications on thinking and working politically, including most notably D. Booth and S. Unsworth, *Politically Smart, Locally Led Development* (ODI, May 2014). See also USAID, *Local Systems: A Framework for Supporting Sustained Development* (2014); D. Hudson and A. Leftwich, *From Political Economy to Political Analysis* (DLP, June 2014).

5 The Asia Foundation, *Built on Dreams Grounded in Reality: Economic Policy Reforms in the Philippines* (2013).

to carefully analyze local political context, reliance on local leaders who assumed personal responsibility for development outcomes, the seizure of emerging opportunities and perseverance over time. This perseverance contradicts the international donor community's current orientation toward immediate results.

Applying these principles to the eradication of extreme poverty requires an understanding of the incentives that shape national- and community-level decision-making and a willingness to play a facilitative role in bringing together those actors who are committed to ushering in long-term change. In other words, we must design programs that align around shared values and objectives from the beginning and build in learning opportunities for checking adherence to these values and objectives along the way. Such an approach requires different skills—including system mapping, facilitation, coalition building and iterative learning—from those involved in the management of more traditional donor-driven, sector-specific activities.

From a substantive perspective, the eradication of extreme poverty requires a series of policy choices by host governments: large increases in social assistance, massive investments in education and a pro-poor orientation to economic growth policies. These choices are not inevitable and will emerge from a constellation of primarily domestic political factors reflecting relative power structures. The international community, although limited in its ability to affect power distribution within a society, can affect the calculation of incentives through trade, aid, investment and other policies.

Second, the poor and other marginalized segments of the population must be given a political "voice." Meaningful participation in electoral politics is part of the package; however, other venues for effective and inclusive political engagement should also be promoted. Access to information, including transparency with respect to budget allocations, facilitates a more active and empowered citizenry. Allowing the free formation of civil society organizations that can advocate for policy change is also critical to ensuring that issues relevant to the poor are placed on the political agenda. By cataloguing situations in which the concerns and needs of the extreme poor have been taken into account, and those in which the situations have improved, we will create important models that can be built upon.

We must acknowledge that vested interests in developed countries too often have prevented policy choices that could dramatically change the lives of the poor.

A third substantive component involves legal empowerment of the poor. This requires accessible venues for the fair adjudication of claims to land and other forms of property and for the resolution of the wide range of contract, family and other disputes. In addition, literacy campaigns should incorporate a civic education component to ensure that all segments of society understand their basic rights and how to realize them.

Fourth, we must continue to focus attention on the scourge of corruption that maintains a power structure adversely impacting the poor. At the macro level, corruption results in resource allocation that benefits vested interests while limiting available resources for the needs of the poor. At the community level, corrupt officials discourage the poor from exercising their political and legal rights and exacerbate the social circumstances—such as a lack of jobs, education, health care and other basic services—that govern their lives and opportunities.

Taken together, these substantive aspects of working politically—including improved governance capacity to deliver services, an expanded political voice for the poor and increased transparency and accountability—should change the calculus for political leaders so that they take the needs of the poor more seriously in all dimensions and act accordingly. To facilitate our understanding of this calculus in contemporary societies, we should undertake a proactive research agenda that examines the relationships between democracy, human rights and governance realities, as well as their impacts on the ability of the extreme poor to escape poverty and its associated ills.

Thinking and working politically emphasizes the importance of understanding the political economy of the countries in which donors operate. However, to achieve the goal of eradicating extreme poverty by 2030, we must also analyze the political economy of the countries that constitute the developed world. Rhetoric aside, are they prepared to make the tough choices that increase prospects for those living in the developing world to escape poverty?

Such a commitment involves more than just agreeing on specific global targets or levels of development assistance. Rather, these tougher choices involve such contentious issues as tempering subsidies, opening markets to exports from developing countries, facilitating the expedited transfer of technology and recognizing that poor countries are not in the same position as their wealthier counterparts when it comes to addressing the challenges of global climate change. We must acknowledge that vested interests in developed countries too often have prevented policy choices that could dramatically change the lives of the poor. Consequently, we must also think and work politically in our own backyards.

Despite the emerging international consensus that the eradication of extreme poverty is within reach, we should not assume that this goal will be achieved easily through technological fixes or additional development resources. Ignoring the politics associated with poverty eradication is a recipe for disaster. However, this should be neither a cause for despair nor an excuse to do nothing. Instead, we must continue to focus attention on big picture considerations and develop strategies that are politically smart for dealing with the real-world contexts where the poor live and where those who seek to help them operate.

At a warehouse in Rangoon, a Burmese worker prepares to pack medicinal pills delivered into the country by USAID. Opening markets to exports from developing countries and facilitating the transfer of technology will be critical to ending extreme poverty. PHOTO: SOE THAN WIN / AFP

Larry Garber *is a senior adviser in the Bureau of Policy, Planning and Learning. The views expressed in this essay are his own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*


Levi's

The Political Challenges of Targeting the Poor

Thokozile Chisala and Carter Hemphill

Governments often design programs for poor households and communities as a way of maximizing the development impact of scarce resources. However, politics that favor shortsighted goals over longer-term development can derail the distributive intent of such targeted initiatives.

Malawi's farm input subsidy program, a major government program targeting the poor, demonstrates how political interference and weak controls can jeopardize a strategy intended to deliver direct benefits. It also underscores the importance of clearly understanding and planning for the local political interests that shape the design and implementation of such programs. Otherwise, we may overestimate this targeting's expected benefits.

Pro-poor targeting gone awry: Malawi's farm input subsidy program

Malawi remains one of the world's poorest countries. Of the 84 percent of the nation's population who lives in rural areas, 56 percent can be classified as poor and 24 percent as ultra-poor. Although 70 percent of the nation's cultivated land is covered with maize,[1] household food security has worsened over the past several decades from self-sufficiency to a high dependency on food aid and imports. Smallholder farmers face low yields and soils with falling fertility. High transport costs, difficult access to markets and lack of credit hamper long-term investment. With few other natural resources and limited agricultural diversification, Malawi's economic future is further complicated by a high fertility rate that outpaces the provision of social services and further strains the use of land and other resources.[2]

Malawi has been subsidizing agricultural inputs since the early 1990s. The latest, which began in 2005, is the Farm Input Subsidy Program (FISP). FISP supplies seed and fertilizer to boost maize production and improve progress toward nationwide food security goals, specifically goals

1 Dorward, E. C. (2013). *Agricultural Input Subsidies: The Recent Malawi Experience*. Oxford, United Kingdom: Oxford University Press.

2 Malawi's fertility rate among women ages 15-49 is 5.7 overall; 6.1 in rural, 4.0 in urban areas (DHIS 2010).

A Malawian land worker harvests maize in Masungo, a village on the outskirts of Lilongwe, the nation's capital. Although 70 percent of Malawi's cultivated land is covered with maize, the household food security has worsened over the last few decades. PHOTO: GIANLUIGI GUERCIA / AFP

targeting the "productive poor."[3]

The program is intended to provide 1.5 million smallholder households with a voucher for 5 to 10 kilograms of maize and legume seeds and two vouchers for 100 kilograms of fertilizer each growing season, enough for an average-sized family.[4] In practice, households end up receiving fewer inputs on average because the number of eligible households has increased and because program recipients share their inputs with non-participants.

Since its inception, the government's subsidy on fertilizer, measured as a percentage of the total cost to farmers, has become even more generous, increasing from 64 percent to more than 90 percent by the early 2010s.[5] By 2013, the program cost about $150 million and comprised as much as 69 percent of Malawi's agricultural budget.[6]

FISP was successful early on, increasing yields enough to make Malawi self-sufficient in maize. These gains reversed almost two decades of underperformance and contributed to Malawi's growth between 2004 and 2009.[7] Since then, Malawi has reversed course because of two major

3 The implicit ultimate goal of the FISP is poverty reduction through improved food production and farm incomes. Rodney Lundukaa, J. R.-G. and Monica Fischer (2013). "What Are The Farm-level Impacts of Malawi's Farm Input Subsidy Program?" Agricultural Economics, 563-579.

4 Thurlow, K. P. (2014, March). "Malawi's Farm Input Subsidy Program: Where Do We Go From Here?" International Food Policy Institute.

5 Rodney Lundukaa, et.al. 2013, p. 567.

6 Malawi Public Expenditure Review, 2013, p. iii. FISP costs 54,904.5 billion MK in FY 2012/2013, or 150 million (366 MK = 1 USD). FISP represents 4.6 percent of GDP or 11.5 percent of total budget expenditures in FY 2012/2103.

7 Chirwa, E., and Dorward, A. (January 2011). "The Malawi Agricultural Input Subsidy Programme: 2005-6 to 2008-9." *International Journal of Agricultural Sustainability*, p. 13. The authors assert that while it is not possible to quantify the economic gains, the "very large increases in national maize production reported by the Ministry of Agricultural and Food Security crop estimates are an important component of the higher GDP growth rates reported for Malawi."

shocks during the 2012/2013 harvest period: a 50 percent devaluation and subsequent depreciation of the local currency and production shortfalls due to unseasonably dry weather.[8] Prices of staple food, such as maize and cassava, rose four-fold, and the food security situation became acute in the southern region.

These recent shocks led to a reevaluation of FISP's merits, yielding at least three reasons why its approach to targeting may be problematic. First, FISP enabled politicians to establish systems of patronage and rural support. On average, households in districts where the ruling party won the 2004 presidential election received 1.69 kilograms more in subsidized seed and 11.39 kilograms more in subsidized fertilizer than households in districts with comparable numbers of smallholder farmers where the ruling party did not win.[9] During the 2008/2009 harvest, households in the southern region—the area home to then-president Bingu Mutharika—received significantly more in subsidized inputs than other districts with comparable numbers of smallholder farmers.[10]

Targeting programs to the extreme poor can help nations focus the use of their resources. However, this targeting is more complicated in practice than in theory.

Second, opaque and changing criteria for beneficiary selection made the program even more prone to political interference. FISP initially used committees to identify the "productive poor" as "full-time smallholder farmers who cannot afford to purchase one or two bags of fertilizer at prevailing commercial prices, as determined by the leaders in their areas."[11] However, in 2008, the government expanded FISP's official targeting criteria to include vulnerable households, regardless of whether these households owned land or had sufficient human resources for effectively using fertilizer. The dual targeting created an added level of ambiguity and caused the total number of beneficiaries to fluctuate between 1.4 and 1.7 million.[12]

Third, in rural communal villages, effective targeting can be further complicated by local group dynamics and community leaders who may not be entirely accountable to their constituents. The more narrowly targeted the program, the more pressures it may face from powerful interest groups that want to participate but fall short of the selection criteria. Targeting criteria also can create problems of "fairness" when many households are clustered around the cut-off for extreme poverty. Researchers have found that communities often perceive programs to be unfair if less than 80 percent of households are targeted.[13]

Researchers also have found a need for intensive, costly training and facilitation to reduce the incidence of elite capture when targeting by communities.[14] In theory, this locally based approach to targeting should be cost-effective. Yet, in reality, such an approach can lack transparency because of

8 Malawi Food Security Outlook Update – September 2013. (2013). Famine Early Warning Systems Network (FEWS NET).

9 Ricker-Gilbert, J., and Mason, N. M. (2012)."Disrupting Demand for Commercial Seed: Input Subsidies in Malawi and Zambia." Indaba Agricultural Policy Research Institute (IAPRI).

10 Chinsinga, B. (2012). "Deconstructing the Success Myth: A Case of the Malawi Farm Input Subsidy Programme (FISP)." Instituto De Estúdios Sociaise e Econômicos, p. 10.

11 Rodney Lundukaa, 2013, p. 571.

12 Dorward and Chirwa as cited in Chinsinga, 2012, p. 11.

13 Chriwa, A. D. (2013). "Targeting in the Farm Input Subsidy Programme in Malawi: Issues and Options." Future Agricultures. p. 14.

14 Chriwa, 2013, p. 14.

A farmer in Malawi checks her maize crop, which has benefited from improved farming practices that make her household more resilient to man-made and natural shocks. In the 2012, prices of staple foods in Malawi rose four-fold due to unseasonably dry weather and a 50-percent currency devaluation.
PHOTO: SARAH BERRY / USAID

cultural norms that keep community members from questioning the decisions of traditional leaders.[15]

The need for politically savvy programming

Targeting programs to the extreme poor can help nations focus the use of their resources. However, this targeting is more complicated in practice than in theory. The experience of Malawi's FISP illustrates challenges that arise when governments already overwhelmed by the need to improve extremely low levels of service delivery must address short-term demands from their electorate. In contexts like Malawi's, such programs can be especially prone to political interference.

Effective pro-poor programs require immediate political incentives that are consistent with long-term development objectives. Otherwise, resources used in efforts to target the poor may be redirected and misspent. Likewise, donors must understand the political dynamics in the countries in which they work, including how these dynamics could influence governments to take a longer-term view of policy reform and development. Donors' understanding of—and engagement in—the host country policy process should be viewed as integral as sector-specific technical support.

15 Chriwa, 2013, p. 14.

__Thokozile Chisala__ is a governance specialist in USAID/Malawi's Local Capacity Development and USAID Forward Office. __Carter Hemphill__ is an economist in USAID/Malawi's Program Development and Analysis Office. The views expressed in this essay are their own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.

Revisiting Social Capital (and What to Do about It)

John Ellis

The goal of development assistance is to make itself obsolete. As President Obama said in launching the Feed the Future initiative: "The whole purpose of development is to create the conditions where assistance is no longer needed, where people have the dignity and the pride of being self-sufficient."

Eradicating extreme poverty depends largely on social capital—the behavioral norms and networks that shape opportunities and incentives for collective action.[1] Social capital is formed on the basis of generalized trust and "obligations of reciprocity within a social network."[2] In many fragile and impoverished societies, trust and reciprocal responsibility are not generalized. Rather, they are confined to small, personalized clan or patronage groups, and are weak or entirely absent in the broader networks and organizations that must work together to drive and sustain the development process.[3]

As a result, local governments, businesses and civil institutions suffer critical information and cooperation failures, both within and among the individual organizations. These failures prevent them from collaborating to achieve common goals.

In the past, development practitioners tended to attribute the poor performance of these networks and institutions to shortages in technical knowledge and skills. On this basis, we focused our assistance on educating and training key individuals, expecting this education and training to translate directly into improved performance.

We hypothesized that improvements in human capital (the capacity of the individual) would automatically improve institutional capacity and assumed that the generalized, inclusive

1 Michael Woolcock, Social Capital: Implications for Development Theory, Research and Policy, World Bank, 1999, p. 3.

2 Francisco Herreros, The Problem of Forming Social Capital: Why Trust? Palgrave-Macmillan, 2004, p. 7.

3 David Booth, Development as a Collective Action Problem, Addressing the Real Challenges of African Governance, Africa Power and Politics Program, 2012, p. 11. In many societies, the traditional social norms that have supported effective collective action in the past, such as respect for the authority of chieftains, elders and "secret societies," have broken down without being replaced by new forms of social capital. Clan chiefs in Liberia complain, for example, that they no longer have the authority to mobilize local labor to maintain community infrastructure because their people now consider such unpaid labor to be a "violation of human rights."

Leymah Gbowwee, a leader in the Women in Peacebuilding Network and joint Nobel Peace Prize laureate, mobilized women to protest ongoing conflict in Liberia. Eradicating extreme poverty depends largely upon the development of social capital on the basis of trust and shared commitment to collective goals. PHOTO: ISSOUF SANOGO / AFP

social capital required for collective action either already existed or would take care of itself.

Insights from Liberia and beyond

USAID's experience in Liberia challenges these assumptions. In May 2013, the USAID mission and the Liberia Institute of Public Administration conducted a workshop to identify lessons from recent programs that were designed to strengthen systems and build capacity.

Many Liberian participants expressed deep frustration with the difficulties they faced in trying to improve the performance of the organizations in which they worked.

For example, individuals who had left to earn graduate degrees encountered jealousy and outright hostility from their colleagues when they returned. Supervisors continued to operate within close ethnic and family circles instead of enlisting competent individuals outside of their personal circles. Leaders trusted expatriate consultants more than their own subordinates to accomplish routine tasks. Improved human capital did not necessarily translate into better performance by individuals or organizations.

Workshop participants concluded that social and behavioral issues, as much as the shortage of technical capabilities, were affecting the quality of their organizations' services. Governments did not perform because government employees would not work together to solve problems and did not have a shared commitment to their collective goals.[4] Confirming the insufficiency of individualized technical training to address this problem, a donor representative remarked that these behavioral issues limited the country's ability to utilize its scarce human capital.

This suggests that assistance should focus at least as much on accumulating social capital—helping to expand and strengthen local networks of generalized trust and collaboration—as it does on improving human capital. Donors should revisit social capital as they provide assistance at local and micro levels—building the capacity of a farmers' association to efficiently meet the needs of its members, for example—and at macro levels, such as building the capacity of ministries of public works and finance to plan and implement large public infrastructure investments.

Assistance should focus at least as much on accumulating social capital—helping to expand and strengthen local networks of generalized trust and collaboration—as it does on improving human capital.

Researchers have observed that prosperity is directly dependent on the emergence of complex networks of human communication, collaboration and exchange, which exponentially multiply the benefits of each individual's contributions to the development process.[5]

Long before the Industrial Revolution, for example, societies in Western Europe and Asia had developed elaborate social technologies for increasing individuals' productivity, such as enforcing quarantine laws and quality standards for farm products and establishing joint stock companies and professional guilds.[6] The extent to which such institutions were "extractive" or "inclusive" has had a critical bearing on each society's development trajectory.[7]

Through direct field experience, researchers and practitioners have learned that neglect of social capital greatly increases the risk that development assistance will fail to yield sustainable results. "Transplanted" legal systems, for example, are unlikely to be effective if they do not align with local institutions.[8] Even practices as apparently mundane as financial management standards will not be adopted when they conflict with pre-existing perceptions and behavioral norms.[9]

The drive toward localized experimentation through randomized control trials reflects recognition of an important finding: that the impact of different development solutions may vary significantly based on the dominant institutions of their target populations.

Fortunately, we are learning how to address

4 William Easterly and Jessica Cohen, eds., What Works in Development: Thinking Big and Thinking Small, Brookings Institution, 2009, Kindle edition, loc. 169.

5 Ricardo Hausmann, Cesar Hidalgo, et al. The Atlas of Economic Complexity: Mapping Paths to Prosperity, Center for International Development, Harvard University, 2011. Accessed online on April 13, 2014 at http://atlas.cid.harvard.edu/media/atlas/pdf/HarvardMIT_AtlasOfEconomicComplexity_Part_I.pdf.

6 Douglass North, Understanding the Process of Economic Change, Princeton University Press, 2005. Eric Jones, The European Miracle, Cambridge University Press, 3rd edition, 2003.

7 Daron Acemoglu and James Robinson, Why Nations Fail: The Origins of Power, Prosperity and Poverty, Crown Publishers, 2012.

8 Daniel Berkowitz, Katharina Pistor, Jean-Francois Richard, Economic Development, Legality and the Transplant Effect, 2001.

9 Matt Andrews, The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions, Cambridge University Press, Kindle edition, 2013.

this challenge. For example, USAID's tools for strengthening local systems and developing institutional capacity help build broad and inclusive forms of social capital—such as generalized trust and reciprocity obligations. The tools also help address counterproductive perspectives, norms and behaviors. USAID also has mainstreamed behavior change communications and social marketing interventions into its health sector practice.

In Liberia, our work with the Ministry of Health and Social Welfare demonstrates the potential of these approaches. Under USAID Forward's Implementation and Procurement Reform initiative, USAID and the Government of Liberia in 2010 agreed to implement through the Ministry public health services previously managed by USAID's expatriate contractors and grantees.

Significant internal communications and coordination challenges threatened the Ministry's ability to deliver these services. In response, mission staff and contractors with extensive experience in strengthening health systems facilitated collective action, convened meetings between different Ministry offices, mediated discussions and fostered consensus-building.

The impact of these direct interventions was complemented by the structure of the agreement, which stipulated that USAID reimburse the Ministry only after the Ministry delivered the covered health services. This appeared to increase incentives for the Ministry's employees to collaborate with one another.

The mission feels encouraged that this combination of direct engagement and supportive incentive structures appears to be bearing fruit. Despite lingering technical constraints, Ministry staff members now initiate their own problem-solving processes, collaborate with one another to develop solutions and no longer depend on USAID to move projects forward. The initiative has expanded local networks of trust and shared responsibility and made them more inclusive and effective. In President Obama's words, the participants in this project enjoy the dignity and pride of being more self-sufficient.

Implications for practitioners

What does this mean for USAID's development assistance programs?

First, we must acquire more knowledge about each country's social and institutional environment as we design and implement poverty reduction projects. USAID's Sustainability Toolkit, which many missions rely on for new project design, is a good starting point.

Unfortunately, the rigor of our analysis varies considerably. Many project designs overlook important assumptions, such as the will for policy reform or farmers' willingness to change lifelong practices on the basis of demonstration projects supervised by strangers. We need to more carefully examine our assumptions about local ownership.

Second, we need to develop—through honest and open dialogue with our host country partners—explicit strategies for influencing norms and behaviors that constrain collective problem-solving. In some situations, this may be controversial. Some critics and practitioners of foreign assistance considered this type of engagement morally offensive, because by definition it engages outsiders to influence local social and cultural development. At the same time, this practice is already broadly accepted in certain areas, such as efforts to change local values and behaviors related to health, sanitation and human rights.

As the Liberian participants in our capacity-building workshop recognized, the development of social capital may often be a precondition for project success. Extractive patronage systems that capture public resources for private gain, for example, cannot and will not deliver quality infrastructure and agricultural extension services to impoverished populations. If we and our local partners neglect the social roots of such failures, then our efforts to eradicate extreme poverty and achieve other development goals may fail.

Third, we need to develop or tap into specialized expertise in the field of institutional and behavioral change. A highly developed branch of business advisory services exists in the United States, producing dozens of materials, like "how-to" manuals and books, on this subject every year. Behavioral economics, which aims to understand how psychological, social and emotional factors shape individual and societal economic decision-making, is another growing area of academic research.

Behavioral science techniques have been successfully applied to collective action challenges in the United States, including the State of Texas' "Don't Mess with Texas" public outreach campaign. The campaign employed carefully designed psychological "subsidies" and "taxes" to discourage Texans from littering their highways.[10] Similar techniques could be applied to a range of critical development problems in USAID's partner countries.

In essence, we should strive to nurture "tipping points" for social behaviors that are conducive to development,[11] catalyzing the institutional "epidemics" that only take hold when supported and advocated by a large number of institutional entrepreneurs within their own social frameworks.[12]

When this happens, new practices and technologies that depend on complex coordination and collaboration—such as modern public financial management systems, mobile money networks and production systems for nutritionally fortified food products—can have true local ownership. Sustainability is better ensured, providing a solid foundation for scaling up project results. Most important, this approach cultivates the social capital critical for achieving President Obama's ultimate goal of self-reliance.

Children light candles to mark World Aids Day in the northern Philippines. Local officials, gay communities and club owners joined forces to promote a reproductive health bill and endorse the use of condoms in local entertainment establishments. This is one example of a "tipping point" for social behaviors that are conducive for development. PHOTO: JES AZNAR / AFP

__John Ellis__ is USAID/Liberia's supervisory program officer. The views expressed in this essay are his own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.

10 Dale T. Miller and Deborah R. Prentice, Psychological Levers of Behavioral Change, Eldar Shafir, ed., The Behavioral Foundations of Public Policy, p. 303.

11 Malcolm Gladwell, The Tipping Point: How Little Things Can Make a Big Difference, Little Brown and Company, 2002.

12 Andrews, op cit. Kindle edition, loc. 2594 ff.

Expecting More, but Getting Less

Nicholas S. Klissas

"Expect more, pay less" is the catch phrase of Target, one of America's fastest-growing mass merchandisers. Through innovation spurred by vigorous competition, a sound regulatory environment and good governance, firms like Target benefit consumers by driving competition in the areas of price, variety, accessibility and quality.

Unfortunately, many of the world's poorest are denied these benefits. Essential goods and services—including the food, fuel, fertilizer, power, medicines, telecommunications and transportation products and services that lie at the heart of many USAID initiatives—easily fall victim to anticompetitive behavior by vested interests. As a result, the poor expect less and pay more.

Economies where vested interests predominate to the detriment of all others represent extractive political systems, described by Acemoglu and Robinson in "Why Nations Fail." The authors posit that an evolution to inclusive political systems—where robust, responsive institutions freely operate in a transparent, democratic system of governance—can erode the power of the vested interests. Competition agencies, typically government agencies mandated to enforce competition laws and protect consumers, can be an important part of these inclusive systems.

How uncompetitive markets hurt food security

Lack of competition especially disadvantages the poor when it comes to food security. Part of the problem is that the food industry is highly concentrated at both the retail and food-processing levels. Industries that transform crops such as maize into foodstuffs like flour or tortillas are often susceptible to anticompetitive behavior.[1]

1 A 2013 OECD Global Forum Roundtable addressing poverty and competition revealed a high degree of market concentration at the level of food manufacturing in numerous countries. A USAID economist, reviewing a draft of this essay, observed similar patterns when conducting cost benefit analyses in several Feed the Future priority countries. The economist noted the frequency with which food processors were shielded from market competition, enabling them to buy inputs at low prices (reducing both farmers' disposable incomes and their incentives to produce more) and sell outputs high. In this situation, both farmers and consumers suffer. In one country, it was noted that millers and processors typically were former government officials or political insiders, and that these individuals

A Kenyan food vendor sells maize at his shop near Nairobi. Kenya's Competition Authority found that a cluster of families coordinated to fix maize prices in the country. After putting a stop to this practice, maize flour prices dropped by 15 percent. PHOTO: SIMON MAINA / AFP

Since poor households tend to spend a greater share of their incomes on food, they bear relatively more of the brunt of artificially higher food prices. They also are more greatly harmed by anticompetitive behavior than wealthier households. A 2008 study by the Mexican Federal Competition Commission found that anticompetitive behavior reduced the effective incomes of the nation's poorest decile by 20 percent. Even worse, the negative impact of monopoly power grew in relative terms as households became poorer.[2]

A similar study in South Africa pointed out the dire effects on food security: While average South African households in 2013 spent about 13 percent of their income on food and non-alcoholic beverages, the poorest households spent 33 percent on such items.

The role of competition agencies

Competition agencies can deter uncompetitive behaviors that hurt the poor. Examples follow, many of which have received technical support from USAID:

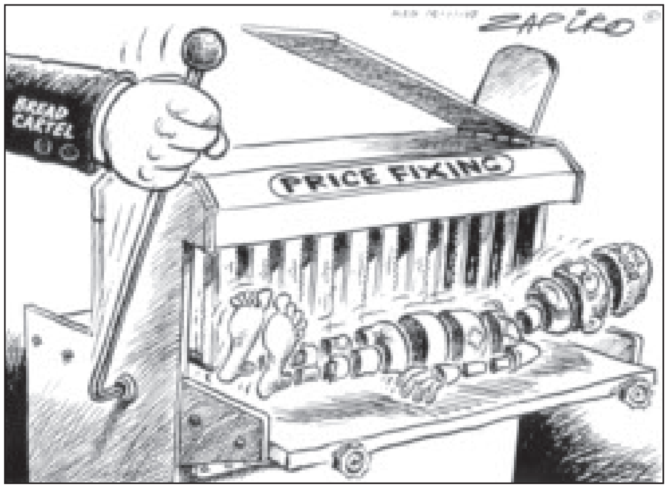
Curbing cartels. Mexico is a country with a long history of monopolies and anticompetitive business conduct that result in firms fixing prices, restricting output or agreeing to other behaviors that artificially increase their profitability.[3] In

were able to use their political connections to access cheap land for their operations and low-cost finance to purchase imports of milling equipment.

2 Source: Carlos M. Urzúa (2008). According to the Mexican Federal Competition Commission, Mexicans pay 30 percent to 40 percent too much for their basic basket of goods and services because of a lack of competition, and it is the poorest people in the poorest regions who are hit the hardest.

3 The most obvious example is that of Carlos Slim Helú, named by *Forbes* magazine in 2014 as the world's second richest man, who amassed

These two political cartoons appeared in the South African press after the country's Competition Commission brought a price-fixing case against sellers of bread. They illustrate the disproportionate effect anticompetitive conduct in the agricultural sector can have on the poor.



2007, tortilla prices in some Mexican markets soared more than 60 percent, sparking consumer outrage. When the Mexican Federal Competition Commission launched an investigation in Mexico's poorest state, Chiapas, it found a cartel that divided the capital city of Tuxtla Gutiérrez into four areas with exclusive member rights. Municipal authorities were complicit by adopting ordinances regulating the location of new tortilla shops, setting the prices new shops could charge and requiring them to use local ingredients.[4] Public outrage imparted the Commission with enough political clout to fine the tortilla sellers and municipal authorities. News of this enforcement of the law led to similar investigations and prosecution in other major markets across the country.

In South Africa, the Competition Commission uncovered and fined cartels that were fixing the prices of bread and milk. The bread cartel had increased the consumer price of basic bread by 35 cents. Meanwhile, the milk cartel had lowered the price dairy farmers received for raw milk to its lowest level in 40 years[5] and raised

his estimated $71 billion fortune by creating an effective monopoly in Mexican landline and mobile telephone services. Although now number two, Slim was in *Forbes*' top position from 2000-2013. Source: http://www.forbes.com/profile/carlos-slim-helu/.

4 Source: Federal Competition Commission of Mexico presentation made by its president, Eduardo Perez Motta, to USAID, April 2013.

5 *The Island Online*; "World Competition Day: Impact of cartels on the poor." December 4, 2012, 6:32 pm http://www.island.lk/index.php?page_cat=article-details&page=article-details&code_title=67543

prices to consumers by removing surplus milk from the market, directly fixing the price of ultra-high-temperature processed milk and allocating exclusive member rights to discrete geographic areas.

Halting vested interests. Ruling families, oligarchs and state-owned enterprises can use their power to restrict the supply of goods and services, which raises prices and profit margins. Kenya's Competition Authority found a cluster of related individuals controlling the country's milling industry for maize, the country's most widely consumed cereal.[6] Oligopoly power does not itself violate competition laws. However, the abuse of such power in this case spurred the Authority to issue "stop and desist" orders for price coordination. Prices for maize flour subsequently declined by about 15 percent.[7]

Curtailing public failures. Many countries inadvertently hurt their own citizens by adopting regulations, such as tariffs on imports, that shield local firms from global competition. Although such measures offer the superficial appeal of protecting local jobs, they also reduce competitiveness, raise consumer costs and cost jobs.

In 2012, Papua New Guinea was ready to grant a single firm exclusive 20-year rights for operating commercial rice production, exempting it from import tariffs while placing an 80-percent import tariff on other importers. Papua New Guinea's Independent Consumer and Competition Commission found that this deal would have granted an effective monopoly on rice imports, production and marketing—doubling the market price for rice and reducing the incentives for domestic rice production. Publicizing these findings prevented the government from following through with this deal.

Improving public procurement. Complex or slanted procurement rules also can engender noncompetitive behavior. The Government of Zambia, like governments in other countries, provides fertilizers to farmers through its Farmer Input Support Program. In 2013, Zambia's Competition and Consumer Protection Commission discovered that a fertilizer cartel had overcharged the government by $20 million and fined the two firms involved.[8] The government also made changes to the program, including adoption of an electronic voucher system that facilitated direct negotiations between farmers and fertilizer suppliers.

How USAID supports competition agencies

USAID recognizes the crucial role competition agencies can play in promoting food security and development more broadly and supports their efforts through capacity building and technical expertise in market analysis.

This includes a longstanding partnership with the U.S. Federal Trade Commission and U.S. Department of Justice that has provided capacity-building support for many of the competition agencies mentioned in this piece. In South Africa, the partnership helped the Competition Commission strengthen its ability to detect, investigate,

6 Organisation for Economic Co-operation and Development (OECD) Competition and Poverty Reduction: Contribution from Kenya. OECD Document DAF/COMP/GF/WD (2013) 36, 31 January 2013. Prepared by the Kenya Directorate For Financial And Enterprise Affairs, Competition Committee. See http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/COMP/GF/WD(2013)36&docLanguage=En.

7 An unpublished working paper from the World Bank Group Competition Policy Team suggests that additional income gains equivalent to lifting more than 40,000 families above the poverty line could be had if the Kenyan authorities allowed free international trade in maize and reined in the National Cereals and Produce Board from paying above-market prices to maize producers. See "Competition in Kenya and Its Impact on Income and Poverty"; Working Paper from the World Bank Group Competition Policy Team; September 2013 (unpublished/draft).

8 The exact value of the fines was not disclosed. https://www.competitionpolicyinternational.com/zambia-fertilizer-co-slammed-with-fine-for-20m-cartel/

analyze and remedy anticompetitive conduct. The Competition Commission has become the most effective competition agency in Africa and now is partnering with the the U.S. Federal Trade Commission and USAID in a regional program to mentor other African competition agencies.

USAID provided similar support to the Mexican Federal Competition Commission, which is now mentoring other countries in the Western Hemisphere. In Central America, USAID is working with the FTC, DOJ and the World Bank on a regional program to build competition agencies' capacity for addressing food security concerns.

In the area of market analysis, USAID developed and helps countries use the Agribusiness Commercial Legal and Institutional Reform (AgCLIR) diagnostic tool.[9] AgCLIR helps competition agencies deal with systemic limitations—such as export delays, input monopolies, overregulation and inappropriate taxation—that inhibit improvements in productivity and limit market access. The AgCLIR tool not only helps countries identify constraints, but also provides concrete, practical recommended actions for strengthening their agriculture and food sectors.

For instance, the use of AgCLIR in Zambia in 2010 helped identify problems—which the government then addressed—with the public procurement system for fertilizer purchases. More recently, the Asia Pacific Economic Cooperation forum has been using AgCLIR to assess the region's enabling environment for food security.

And a forthcoming AgCLIR assessment in Liberia[10] found retail and wholesale competition, especially for fresh fruits and produce, to be restricted by law that gave the Liberian Marketing Association exclusive control over sales at all of the country's retail market stalls. This restriction hurt street vendors and smallholder farmers, most of whom are vendors at these markets.

Conclusion

Vested interests that distort markets pose one more challenge to reducing poverty, especially when poor consumers are also politically weak. Although nearly all developing countries now have competition agencies, these organizations often are not as effective as they could be. Donors can empower these agencies by encouraging legal reforms and institutional capacity building and through promoting and improving the economic analyses civil society groups and competition agencies use in their advocacy for the poor. These two actions taken together are vital steps in the evolution to an inclusive political system where robust, responsive institutions freely operate in a transparent, democratic system of governance.

Competition agencies and competition can make a difference—these examples show it. Beyond food security, initiatives in areas such as power, education, health and telecommunications also could benefit enormously from more competitive markets. By more carefully considering improvements in market competition and integrating them into donor programs, hopefully we may soon see the day when the poor can expect more and pay less.

Nicholas S. Klissas *is a commercial law reform adviser in USAID's Bureau for Economic Growth, Education and Environment, Office of Trade and Regulatory Reform. The views expressed in this essay are his own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

9 The diagnostic takes a cross-sector approach to determining the constraints within the enabling environment for agricultural enterprises. See http://egateg.usaidallnet.gov/country-reports/zambia-agclir-report.

10 The field study was conducted in January 2014 with a final report under preparation at the time of the writing of this article.

Catalyzing Growth and Investment

PHOTO: TONY KARUMBA / AFP

Redistribution with Growth, 40 Years On

Stephen A. O'Connell

I recently revisited *Redistribution with Growth* (1974), both on sentimental grounds—Hollis Chenery[1] was USAID's first chief economist—and to gain some perspective on the Agency's new mission of ending extreme poverty. Chenery mentored a generation of development economists, including two of my own mentors, Lance Taylor and Larry Westphal.

Chenery's goal in *Redistribution with Growth* was to make distributional objectives "an integral part of development strategy." To an economic modeler, this meant two things: developing empirically grounded models of a country's distribution of income (or consumption) over time, and replacing gross domestic product (GDP) with an explicit measure of welfare when evaluating development strategies and projects. These agendas—one basically technical, the other basically political, despite its technical guise—have come a long distance over 40 years, and reviewing some of the twists and turns can help us think through what lies ahead.

Redistribution with Growth provides a springboard for this essay's two main points. The first is that ending extreme poverty will require new ways of overcoming barriers to pro-poor economic growth. These barriers were present in 1990—the "start date" for the Millennium Development Goal of cutting the global poverty headcount in half by 2015—but the intervening period has shifted the global composition of poverty toward countries with relatively weak institutions and resource endowments that bias their exports in favor of primary commodities and away from globally competitive employment. The so-called "resource curse" will have to be overcome if extreme poverty is to be eliminated. The second point is that smart redistribution policies have expanded the scope for efficient redistribution beyond what Chenery and his associates imagined. Such policies are likely to play an important role in achieving the goals of the post-2015 Development Agenda.

1 Hollis Chenery, Montek S. Ahluwalia, C.L.G. Bell, John H. Duloy, and Richard Jolly (1974), *Redistribution With Growth* (Oxford: Oxford University Press). By the early 1970s, Chenery had moved (via Harvard) to the World Bank, where he became the Bank's first and longest-serving chief economist and vice president for development economics research.

Men sit and stand atop a wall at a USAID help center next to a refugee camp on the outskirts of Goma, in the North Kivu region of the Democratic Republic of the Congo (DRC). The DRC illustrates the intersection of three effects of the "resource curse," causing the nation to become a major nexus of global poverty today. PHOTO: ROBERTO SCHMIDT / AFP

Redistribution with Growth in retrospect

Chenery's concern in the early 1970s was that progress against poverty had been inadequate despite more than a decade of strong economic growth. The idea of replacing GDP with a welfare-based measure was equal parts elegant and radical. The argument was that economic planners needed a measure of development success that captured social attitudes toward poverty and inequality. Chenery and associates considered the growth rate of GDP inadequate for this purpose, because it violated what they viewed as a universal feature of social welfare judgments: The idea that a costless transfer of consumption from a rich household to a poor household would make the world better off.

Chenery and his co-authors argued that, instead of simply averaging the gains of different households or social groups (as done in calculating GDP per capita), planners should use "distributional weights" that were higher for poor households. Planners could provide an elegant grounding for the weights by specifying the degree of diminishing social returns to income. For example, if social utility were a function of the log, rather than the level, of individual incomes, the weights applied to gains or losses of different income groups would be inversely proportional to income.[2]

2 The log transformation was later adopted by the UNDP in the construction of its Human Development Index.

Distributional weights never came into regular use by economic modelers, and were rarely applied (after a brief period of enthusiasm) in the cost/benefit analysis of public investment projects. As one of Chenery's successors at USAID observed, this was not because development economists didn't care about poverty. The problem was that no technical basis existed for consensus on the appropriate weights.[3] My guess, however, is that Chenery and his co-authors lost little sleep over the short half-life of distributional weights. The spirit of the idea was what mattered. Spurred on by the thinking in *Redistribution with Growth,* economists were proceeding with many alternative ways of formalizing distributional concerns.

Regrettably, Chenery died in 1994, too early to see the triumph of his broader agenda in the policy realm. He may have had an inkling in 1974 that events would intervene; his introduction to *Redistribution with Growth* speaks forebodingly about the 1973 increase in energy prices. But he could not have anticipated that the collapse of the Bretton Woods system in the early 1970s and the oil price shock of 1973 to 1974 would be followed by nearly two decades of global economic turmoil. Distributional concerns would be swept to the margins as the developing world—particularly outside of Asia—entered an extended period of crisis and market-based economic reforms.

Gradually, however, the consolidation of policy reforms and the limitations of the structural adjustment paradigm brought Chenery's concerns back to the fore. The markers of this process gathered pace during the 1990s: The World Bank published its first international poverty line in 1990; the Poverty Reduction Strategy Paper process for multilateral debt relief was initiated in 1996; and the Millennium Development campaign began in 2000. Throughout the 1990s, developing countries introduced innovative social protection programs to promote asset accumulation among the poor and protect them from the effects of macroeconomic crisis.

Fast-forward to USAID's new mission statement, with its striking reference to ending extreme poverty. The World Bank's newly adopted dual mission pairs a similar commitment with a focus on "shared prosperity," defined in terms of the income growth of the lowest two quintiles.

In my own view, no single idea has done more to unify the global development community since the early 1990s than the idea that distributional objectives should be integral to development strategy.

A shifting target

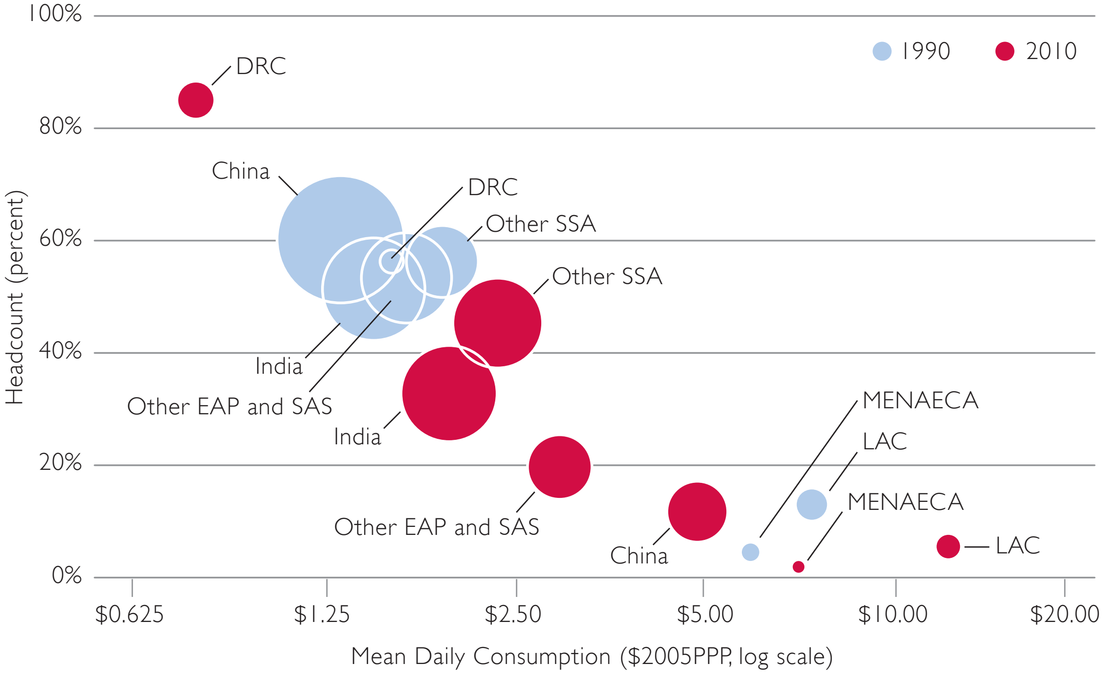
The clarity and prominence of recent commitments are triumphs of the political component of Chenery's agenda. But *Redistribution with Growth* was as much about mechanisms as it was about goals. Planners needed a reliable way to model the distributional consequences of alternative policy choices, and—in Chenery's view—this required new data and new analysis.

Forty years later finds us in an immensely stronger position on the microeconomics of poverty and the impact of targeted interventions in areas like finance, education and health. But, to apply Chenery's lens: What does a poverty-eliminating development strategy look like? I'll stress two findings that would have surprised Chenery in 1974—and that bear importantly on what lies ahead.

Figure 1 summarizes the evolution of poverty on a regional basis since 1990. The vertical axis shows regional- or country-level headcount ratios, defined as the proportion of a population with consumption under $1.25 a day at 2005

3 Arnold Harberger (1978), "On the Use of Distributional Weights in Social Cost-Benefit Analysis," *Journal of Political Economy* 86(2), Part 2: Research in Taxation: S87-S120.

FIGURE 1. Regional Headcount Ratios at $1.25 per day



DRC = Democratic Republic of the Congo **EAP** = East Asia and Pacific **SAS** = South Asia **LAC** = Latin America and Caribbean **SSA** = Sub-Saharan Africa **MENAECA** = Middle East and North Africa combined with Europe and Central Asia

Source: Country-level data are from nationally representative household surveys, interpolated or extrapolated to non-survey years by the World Bank for the construction of regional aggregates; see http://iresearch.worldbank.org/PovcalNet/index.htm. Figure includes all developing countries in these regions with data for both 1990 and 2010.

international prices. The horizontal axis shows average consumption per capita, measured on a log scale so that equal displacements along the axis represent equal amounts of economic growth. The diameters of the circles are proportional to the number of poor in each location.

Two observations leap from this picture. The first is the importance of economic growth, particularly in China, to the successful achievement of the income poverty goal of the Millennium Development campaign. Average consumption grew so rapidly in China that the nation's poverty headcount fell by roughly three-quarters, despite an increase in inequality. What would have surprised Chenery, I think, is the robust power of economy-wide growth for increasing the incomes of the poor. Data across countries from repeated household surveys show no systematic tendency for the distribution of consumption to worsen with growth. In addition, distributional changes in either direction typically have been much less important than overall growth in changing poverty headcounts.

No consensus exists on the reasons for these findings. In this crucial respect, the development research community has yet to respond to Chenery. However, unless these correlations change substantially over the next 15 years, what will matter most for eliminating poverty is the achievement of rapid economic growth in the countries where the poor now live.

The second observation conveyed by Figure 1 is that 20 years have altered the geographical location of the poor. On a regional basis, Asia has given way to sub-Saharan Africa. A key feature of this shift is that the poor are increasingly located in countries with large rents on the export of primary commodities, defined as the difference between the value of the exports and the cost of the resources required to extract them.

Primary-commodity rents are an easy source of government revenues that can help drive growth through public investments in security, infrastructure and human capital. Chenery, with his economic planner's mindset and little systematic evidence to the contrary, would likely have viewed commodity wealth as a clear development opportunity. But global evidence since the early 1970s suggests that this kind of wealth has tended, on balance, to undermine economic growth.

Among the numerous potential channels of the "resource curse," three stand out when thinking of implications for the poor. One is economic: In an era of globalization, primary commodities tilt the economy away from the manufactured goods and traded services that generate internationally competitive jobs and economy-wide productivity gains. One is political: Resource rents allow a political elite to subsist without delivering useful public services in exchange for tax revenues, an exchange that many political scientists view as fundamental to the construction of state capacity and legitimacy. The third lies at the intersection of the economic and political: Resource wealth can be a prize that supports the recruitment of underemployed young men into political violence.

The Democratic Republic of Congo illustrates the intersection of all three effects. This nation was not a major nexus of global poverty in 1990; it is now.

Although economic growth is a high-level objective of U.S. development assistance,[4] it is not uniformly a focal point of U.S. Government programming at the country level. Among low-income countries, those that qualify for a Millennium Challenge Corporation Compact are guaranteed to have a strong growth component. This set is limited by construction, however, to countries that meet demanding—although income-adjusted—standards of institutional quality. It excludes many of the countries where the poor now live.

This allocation may be the right concession to reality, given our limited understanding of growth dynamics in difficult places and our limited policy leverage in the presence of resource wealth. However, it suggests high returns, when implementing USAID's extreme poverty agenda, to understanding the experiences of the few countries—such as Indonesia, Chile and Botswana—that have achieved sustained and rapid growth from a primary commodity base. It also underscores the crucial importance of initiatives like Power Africa that address known constraints to growth.

Assets and cash transfers

Chenery and his co-authors argued that the best distributionally weighted development strategies over a horizon of a decade or more were those focused on increasing the assets, rather than the consumption, of the poor. Since outright

4 Presidential Policy Directive 6, Sept. 22, 2010 (http://fas.org/irp/offdocs/ppd/).

reallocation of existing assets was either politically infeasible—as in land reform absent a revolution—or impossible (reallocation of human capital, for example), strategies should focus on enhancing the capacity of the poor to access public infrastructure and to invest in assets including land, education and health.

USAID's portfolio in low-income countries—with its emphasis on health, physical capital, education and the productivity of smallholder agriculture—is well aligned with these broad priorities. In fact, it may be particularly well aligned in countries where the policy pathways to broad-based growth are unclear and where development partners can help create the infrastructure and human capital platforms for future growth. The experiences of Indonesia, Chile and Botswana suggest, however, that such efforts need to be complemented with initiatives to increase fiscal discipline, enhance the transparency of public financial management and support the rigorous evaluation of public investment projects.

Writing in the early 1970s, Chenery and associates placed less emphasis on the detailed design of redistribution programs than on the need to realign government priorities and redirect development research. First things first: If the economic and political costs of redistribution were large, then getting to the design step required a combination of stronger political motivations and improved models that could quantify distributional outcomes.

Starting in the mid-1990s, however, innovative social protection programs began to open up new avenues for "smart" redistribution, defined as politically sustainable redistribution with low administrative costs and high efficacy in reaching the intended beneficiaries. One example is conditional cash transfer programs, which have been implemented worldwide following the success of Mexico's *Progresa/Oportunidades* program. With their emphasis on pairing income support to low-income mothers with investment in the human capital of their children, these programs epitomize the *Redistribution with Growth* approach.

Looking ahead, information technology will expand the scope for transformative redistribution policies. In countries with weak institutions and large commodity rents, for example, the technological barriers to a very different type of transfer program, involving the *pro rata* distribution of a modest portion of natural resource revenues directly to citizens, are rapidly eroding.[5]

Imagine, for example, if all citizens of the Democratic Republic of Congo could rely on a regular cash transfer financed from mineral revenues. Such transfers would be distributionally progressive by definition—and more so with a greater initial degree of income inequality. Moreover, the limited existing evidence suggests that the distinction Chenery and associates drew between consumption transfers and "investing in the poor" was too stark. Cash transfers increase asset accumulation by the poor even when beneficiaries are free to allocate their transfers as they wish. If such a system altered political dynamics in a growth-promoting way, the prospects of the poor would improve even more dramatically.

***Stephen A. O'Connell** is the chief economist at USAID. The views expressed in this essay are his own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

5 Unlike conditional cash transfers, such transfers would be neither targeted nor conditional. Todd Moss and the Center for Global Development have championed this idea: see http://international.cgdev.org/initiative/oil-cash-fighting-resource-curse-through-cash-transfers.

Crowding In Private Investment

Christopher Powers and William M. Butterfield

Inclusive economic growth is vital to eliminating extreme poverty. When average incomes rise, incomes in the poorest two quintiles increase proportionately, according to *Growth Still Is Good for the Poor*, an August 2013 World Bank report.[1]

So what, in turn, drives economic growth?

Private investment is critical because it expands demand while also enhancing supply in a country's economy. Foreign direct investment (FDI) is one type of investment flow that not only transfers money across borders but knowledge and best practices as well.[2] Following the global financial crisis of 2008, FDI flows to the developing world recovered, reaching a new high of $759 billion in 2013 that far surpassed official development assistance flows of $150 billion in 2012.

Yet FDI has not recovered in the poorest countries, which are being left behind. The regions of sub-Saharan Africa, the Middle East and North Africa, and South Asia combined represented just 6 percent of the world's total FDI, an amount similar to development assistance and well below remittances (Figure 1).[3]

Booming remittance flows have eased the burden of poverty by putting money directly into people's hands. However, individuals most often use remittances for consumption rather than investment and remittances do not appear to be associated with long-term economic growth according to research by the International Monetary Fund.[4]

The poorest countries need private investment

Private investment can be constrained by a number of factors, including weak macroeconomic policies,

1 David Dollar, Tatjana Kleineberg and Aart Kraay, "Growth Still Is Good for the Poor", World Bank Policy Research Working Paper, August 2013 Available at: http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2013/08/13/000158349_20130813100137/Rendered/PDF/WPS6568.pdf%20

2 Michael Klein, Carl Aaron and Bita Hadjimichael, "Foreign Direct Investment and Poverty Reduction," World Bank Policy Research Working Papers, June 2001. Available at http://elibrary.worldbank.org/doi/book/10.1596/1813-9450-2613

3 World Bank, World Development Indicators.

4 Adolfo Barajas, Ralph Chami, Connel Fullenkamp, Michael Gapen and Peter Montiel, "Do Workers' Remittances Promote Economic Growth?" IMF Working Paper, July 2009. Available at: http://www10.iadb.org/intal/intalcdi/pe/2009/03935.pdf

In Uganda, a USAID Development Credit Authority (DCA) guarantee enabled an entrepreneur to receive a loan large enough to expand his business. As a result, his profits more than tripled, and he was able to hire 40 additional workers. DCA secures financing for borrowers and mitigates risks for equity investors. PHOTO: MORGANA WINGARD

high costs of doing business, poor financial intermediation and political instability. Banks within many developing economies, such as Egypt and Pakistan, operate as a primary source of financing for the government. When a substantial portion of a bank's balance sheet goes to financing large budget deficits, the cost of borrowing goes up, and entrepreneurs are "crowded out" of access to capital.

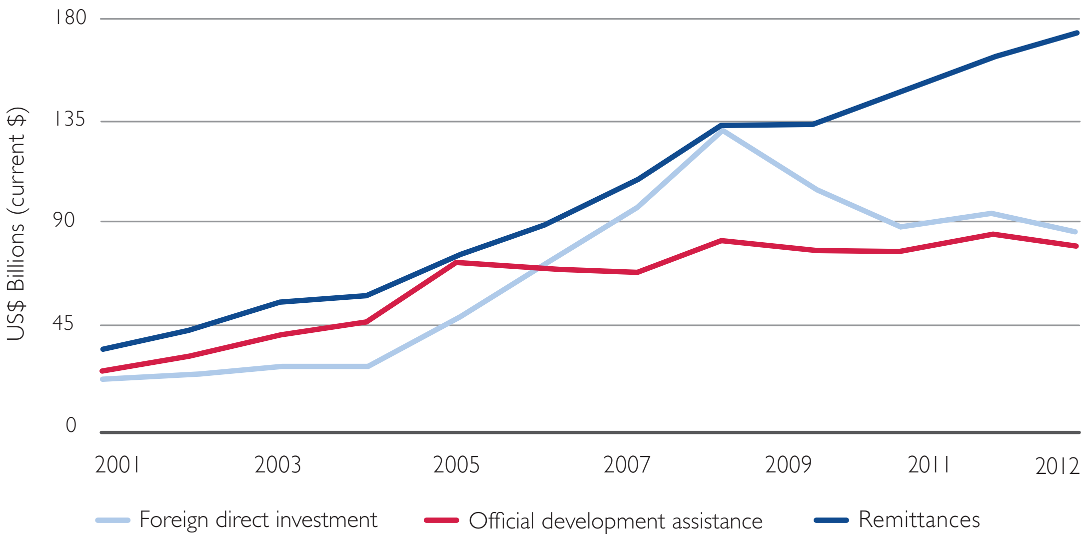
In addition, domestic financial institutions may be unwilling to lend to new businesses because they view new areas or sectors as too risky or because they fail to see the potentially profitable opportunities. Banking standards, although critical for risk mitigation, can restrict lending and force small- and medium-sized enterprises (SMEs) to rely on informal, and more costly, modes of financing. The financing such firms often do receive is highly collateralized short-term working capital rather than capital targeted for growth.

To counteract these constraints, development organizations must service the missing links that will catalyze private investment deals that otherwise would not have taken place. This is the essence of "crowding in," and ways of doing so include:

- Creating or seeding investment funds
- Incentivizing local financial institutions through credit guarantees
- Partnering with local institutions that are well positioned to help entrepreneurs and startups
- Partnering with larger private-sector firms to scale up investments with shared commercial and development benefits
- Providing technical assistance to help companies strengthen business management and advocate for the removal of legal and regulatory barriers that limit private investment

FIGURE 1

Financial Flows to Sub-Saharan Africa, North Africa & Middle East, and South Asia



Source: World Bank, World Development Indicators OECD, Official Development Statistics

Directly seeding investments

In some nations, domestic financial institutions are unable to invest in businesses because of underdeveloped markets or capital flight. Donor organizations can fill these gaps by allowing local investment funds to manage assistance resources or by developing their own funds. Such funds must simultaneously consider development and commercial priorities. In other words, they must have a "dual bottom line" and only undertake profitable investments that also produce meaningful social returns and demonstration effects that validate and encourage expanded private investment.

Direct investment with USAID funds began after the fall of the Soviet Union and in response to market liberalization in Eastern Europe. The U.S. Congress authorized nearly $1.2 billion for 10 Enterprise Funds, managed by proven investors, to support private firms in the region. The Enterprise Funds succeeded in producing some impactful demonstration effects, supporting the establishment of debt and equity markets in previously Communist countries and collectively leveraging $6.9 billion in private capital over their two-decade lifespan.[5]

Newly established USAID direct investment funds in Egypt, Tunisia and Pakistan have the opportunity to build upon these successes while supporting SMEs through the demonstration of innovative financing mechanisms. For example, "mezzanine" products that mix debt and equity can benefit investors by reducing risk while allowing them a share in the revenues and profits of investees. SMEs in turn gain access to capital without having to manage the broadening ownership and increased level of sophistication that pure equity financing requires.

5 The Enterprise Funds in Europe and Eurasia: Successes and Lessons Learned. USAID, September 2013.

Using guarantees to enhance credit and confidence

Where domestic financial institutions are able but unwilling to increase access to finance, development organizations can indirectly invest by incentivizing local banks through credit guarantees that protect a percentage of a bank's portfolio against default. USAID's Development Credit Authority (DCA) has had significant success getting debt-based financing into the hands of previously unserved borrowers.

Yet there are opportunities for DCA to not only engage in the aforementioned debt products, but also be more proactive in reducing risks to equity investors in new markets. For example, through a partnership with J.P. Morgan Chase, DCA guaranteed an $8 million loan to an equity investment fund for SMEs in East African agriculture markets. The guarantee was supported by a $17-million equity investment from the Bill & Melinda Gates Foundation, the Gatsby Charitable Foundation and the Rockefeller Foundation. This arrangement also included $1.5 million in USAID Feed the Future technical assistance resources, a superb example of development impact investing aimed at poverty alleviation.

DCA can also help turn remittances into investment through guaranteeing the issuance of "diaspora impact bonds," sold mainly to nationals working abroad. The bond proceeds fund development projects in sectors such as health and education. Meanwhile, bondholders reap returns while contributing to poverty alleviation in their home countries.

Recently, some countries have issued diaspora bonds, most notably Kenya and Ethiopia. Yet most investors still see the product as high risk. By offering a partial guarantee (usually 50 percent) on the repayment of the bonds, DCA could help mitigate this perception and encourage social investment.

Guaranteeing equity-based investments and sub-national bonds is admittedly risky. However, with a default rate of less than 2 percent on its guaranteed loan portfolio, DCA so far has collected more in fees from banks than it has paid out in defaults. USAID should therefore continue to structure guarantee products more aggressively to fill financial gaps.

Accelerating partnerships for investment

Credit guarantees cannot compensate for obstacles SMEs often encounter, such as lack of credit qualifications and audited financial statements. Commercially driven "accelerators" (or incubators) can play a role. By taking an ownership position in the firm and providing business development resources, these organizations can help SMEs access formal financial markets or obtain funding from individual ("angel") investors.

Accelerators and angel investor groups, however, may lack the information, capacity and coordination to function most effectively in this role. USAID is filling this gap through broader engagement. For example, USAID's Partnering to Accelerate Entrepreneurship and the Middle East North Africa Investment Initiative support investors and businesses with co-investment and matching capital approaches as well as relevant technical assistance.

In addition, USAID's Global Development Alliance[6] partners with larger firms to help SMEs overcome local risks and capacity constraints—leveraging over $2.5 billion in private investment to date.[7] For example, since 2005, USAID has collaborated with Coca-Cola for clean water development projects (a shared commercial and development interest). Existing USAID development programs (e.g., improving water resources management) complement Coke's investments and vice versa, all in collaboration

6 GDA is a form of public-private partnership whereby shared interests are identified and USAID and private sector partners agree to contribute toward the cost of a project, at minimum on a 1:1 basis.

7 Evaluating Global Development Alliances, DAI. Available at http://www.usaid.gov/sites/default/files/documents/1880/GDA_Evaluation_reformatted_10.29.08.pdf

with other donors and host-country governments.

USAID's new position of field investment officer responds to the need to develop more private-sector partnerships like this one. These mission-based foreign service officers use their knowledge of the business and development worlds to identify areas where the private sector and USAID can work together to achieve commercial and development success.

Strengthening policy and business management

Technical assistance is a critical component of any crowding-in strategy, particularly when it equips local businesses and other stakeholders with the finance and management skills needed for growth. Assistance should also be used to generate demand-driven reform of key policy bottlenecks that local firms face, making doing business easier.

The European Bank for Reconstruction and Development (EBRD) has successfully employed such an approach through its complementary Business Advisory Services facilities. These services give SMEs reduced-cost access to local and international business consultants while the Legal Transition Programme aids them in identifying and overcoming policy and institutional impediments to their investments. Both the EBRD and USAID are helping the Social Fund for Development in Egypt strengthen its capacity to serve as the main government authority on SME policy reform—further improving the investment climate for their SME technical assistance programs.

Moving forward

Other U.S. Government institutions should also look to increase efforts to crowd in private investment. The Millennium Challenge Corporation[8] has recently explored ways to structure its compacts' resources to attract higher levels of private-sector co-financing.

Abebaw Gessese received a loan from Dashen Bank thanks to USAID's Development Credit Authority (DCA). The loan enabled him to expand his farm, employ more workers (half were women) and add to Ethiopia's economy.
PHOTO: MORGANA WINGARD

The Overseas Private Investment Corporation (OPIC),[9] which has turned a net profit for 35 years in a row, holds the ability to combine financing, guarantees and technical assistance in ways that make more and larger deals possible. Yet OPIC is legally prohibited from making minority-share equity investments—an authority allowed to most of its peer institutions in Europe. This excludes OPIC from many potential deals and limits its ability to scale up its efforts while limiting U.S. businesses' access to frontier markets.

Leveraging private investment to fight poverty is no easy task. The constraints are myriad and complex. However, by supporting innovations that utilize development assistance to "crowd in" private investment, USAID and partner institutions can get resources into the hands of the local firms and individuals that need them and spur the inclusive economic growth that reduces poverty.

Christopher Powers *is a regional investment officer for USAID in the Middle East/North Africa region.* ***William M. Butterfield*** *is mission economist for USAID/Pakistan. The views expressed in this essay are their own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

8 The Millennium Challenge Corporation (MCC) is an independent bilateral U.S. foreign aid agency, established by Congress in 2004, which applies selection-based criteria and a country-led approach to its assistance, which it delivers through "compacts."

9 OPIC is the U.S. Government's development finance arm. It provides debt-based financial products, political risk insurance and seed money for investment funds to help American businesses expand into developing countries.

USAID's Role in Extreme Poverty Reduction: Lessons from Peru

Joshua Templeton

Peru was a desperately poor country as recently as 1990. Ravaged by civil war and hyperinflation, food consumption had fallen below 1,950 calories per capita, and public sector wages had dipped to $39 per month.[1]

Macroeconomic stabilization in the early 1990s, followed by political reforms in the early 2000s, set the stage for improved economic growth. Yet this growth was disproportionately concentrated in the capital, leaving out Peru's poorest regions. In 2004, 20 percent of Peru's population remained extremely poor,[2] and it began to look as if Peru might become a case study for economic growth *without* poverty reduction. But, as growth spread to the highlands, extreme poverty fell to 11.2 percent by 2007 and 6 percent by 2012.[3] Inequality, as measured by the Gini coefficient, also fell.

How did Peru achieve such a dramatic transformation? Three efforts were key to Peru's inclusive economic growth: infrastructure investment, particularly investments to improve the rural transportation network;[4] economic stimulation of market systems in poor regions;[5] and Juntos, a well-designed conditional cash transfer program.[6] Largely thanks to these efforts, coastal prosperity spread to the country's impoverished interior.

USAID helped Peru fight poverty on two of these fronts, roads and market systems, by identifying market and government failures that the Agency was well positioned to tackle. USAID's contributions were small compared to efforts by the Government of Peru and the private sector, yet they nevertheless reflected the potential of catalytic interventions in reducing poverty.

1 Cuanto. 1991 Ajuste y Economía Familiar 1985–1990. Lima: Cuanto.

2 World Bank, 2004 "Peru Poverty Assessment." http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/0,,contentMDK:20862551~pagePK:146736~piPK:146830~theSitePK:258554,00.html

3 Instituto Nacional de Estadistica y Informatica. http://www.inei.gob.pe/estadisticas/indice-tematico/sociales/

4 Webb, Richard. "Conexión y Despegue Rural," Instituto del Perú, Universidad San Martín de Porres, Lima, 2013.

5 Riordan, James. *We Do Know How: A Buyer-Led Approach to Creating Jobs for the Poor.* 2011.

6 Elizaveta Perova and Renos Vakis. "Welfare impacts of the "Juntos" Program in Peru: Evidence from a non-experimental evaluation." World Bank, 2009.

A woman sells star fruit at the wholesale fruit market in Lima, Peru. Extreme poverty in Peru fell to 6 percent in 2012 as coastal prosperity spread to the country's interior thanks to investments that promoted Peru's inclusive economic growth. PHOTO: ERNESTO BENAVIDES / AFP

An innovative approach to financing infrastructure

Peru has had remarkable success improving rural access to markets. From 2001 to 2011, the country cut average travel times from 176 of the poorest rural districts to the nearest city by more than half. Districts with these improvements reported rising market prices of both agricultural land (up 88 percent) and housing (up 166 percent).[7] Day labor incomes, adjusted for inflation, rose 73 percent. Rural roads also improved access to health and education services.

Public investment in the transportation sector increased from 5 percent of the federal budget in 2000 to 14 percent in 2010. Yet Peru's successes depended as much on public-sector innovation as they did on increased funding.[8] These innovations included build-operate-transfer (BOT) concessions. Under a BOT concession, the government gives a private company a permit to build, operate and maintain specific infrastructure, such as a road or port. For a defined number of years, the private company charges road tolls or port fees to repay its loans and earn a profit. At the end of the concession agreement, the company transfers ownership and operation

7 Unless otherwise noted, all the data on roads are from Webb, Richard. "Conexión y Despegue Rural," Instituto del Perú, Universidad San Martín de Porres, Lima, 2013.

8 Data on government spending is from the World Bank's *Gasto para Resultados: Revisión del Gasto Público para Perú.* June 2012.

of the infrastructure facility to the government.[9]

BOT concessions align political incentives with the public interest more effectively than either government ownership or privatization.[10] Previously, the Government of Peru tended to build roads to garner voter support and it neglected road maintenance, even though maintenance tends to be more cost-effective than rebuilding roads over time. Instead, BOT concessions incentivize the private sector to include maintenance as part of their contracts. The better the roads, the more likely toll-paying drivers will be to use them.

Privatization, however, creates another set of incentive problems. Instead of focusing the sale on the long-term public interest, governments often try to achieve the highest possible sale price with offers to the private owner such as monopoly pricing power. In contrast, BOT concessions offer the benefits of privatization—increased investment in infrastructure, specialized technical competency and elimination of the drain on public funds—without generating immediate public funding windfalls. Since no funds change hands between the government and the private entity under a typical BOT concession, the government has no incentives to sell out future consumers for an immediate payout, as has been alleged in past Peruvian privatizations. Instead, future governments benefit from the BOT when the infrastructure facility is transferred to government control.

Successful design of these concession arrangements requires complex economic, legal and engineering expertise. In fact, the Government of Peru decided to concede 11 roads in 1995, but did not actually concede any roads until 2002 because of a lack of technical expertise.

In 2003, USAID began to help the Government of Peru design concessions for two highways connecting the coast with the impoverished interior as well as design an upgrade to the country's most important port. USAID's technical assistance also helped the government design contract terms and engineering studies that reduced project risk, resulting in two concessions that attracted private-sector bidding.

USAID invested just $8 million in this activity. Yet the three successful concessions stimulated more than $800 million in private investment for infrastructure.[11] The infrastructure built with this investment opened up markets to the interior of the country and played a key role in Peru's recent economic growth.[12] It also likely helped to reduce poverty, although knowing exactly how much is difficult to determine in light of the many other factors affecting poverty reduction. We have not evaluated whether the roads and port would have been built without USAID assistance, and at what cost. This represents one example of a project where the full impacts and attribution may be difficult to measure, but one that USAID will need to pursue in order to influence national poverty rates.

Brokering market linkages

Peru drastically liberalized trade over the past 20 years through numerous bilateral free trade agreements, joining the Asia-Pacific Economic Cooperation and founding the Pacific Alliance with Chile, Colombia and Mexico. However, the informal firms for which Peru's poorest people are most likely to work[13] are seldom equipped

9 United Nations. "Best Practices in Investment for Development." 2009. http://unctad.org/en/docs/diaepcb20092_en.pdf

10 Larry D. Qiu, Susheng Wang, "BOT projects: Incentives and efficiency," *Journal of Development Economics*, Volume 94, Issue 1, January 2011, pp. 127-138.

11 Fox, James. "Peru Concessions: The Overall Approach." 2007. http://www.energytoolbox.org/library/peru_transportation_concessions/peru_usaid/Peru_Concessions_The_Overall_Approach.htm

12 Webb, Richard. "Conexión y Despegue Rural," Instituto del Perú, Universidad San Martín de Porres, Lima, 2013.

13 Japan Bank for International Cooperation. "Poverty Profile: Peru." 2007.

A merchant offers his goods on his truck along the road crossing southeastern Peru near Madre de Dios. Infrastructure improvements helped create market linkages from Peru's impoverished interior to the flourishing coastline cities. PHOTO: AFP PHOTO / STR

to insert themselves into the supply chains that benefit from such agreements.

Why do buyers, such as exporters or grocery stores, purchase from large national suppliers rather than the small local suppliers found in Peru's poorer regions? In many cases, lack of trust, rather than economies of scale or transaction costs, is the crucial market failure.[14] Buyers suspect that small suppliers will fail to live up to their quality or quantity commitments. Meanwhile, small suppliers fear being exploited by large buyers. The government, with its own political interests, is not well positioned to step into the role of honest broker. Likewise, it is unreasonable to expect a buyer and a seller to pay a private consultant to help them trust each other.

14 Riordan, James. *We Do Know How: A Buyer-Led Approach to Creating Jobs for the Poor.* 2011.

In this context, USAID is well positioned to serve as an honest broker. Instead of helping suppliers improve production of goods for which there may not be a market, which many development projects have done in the past, USAID's Poverty Reduction and Alleviation (PRA) program first helped suppliers identify potential buyers. From there, PRA identified technical constraints, provided modest technical assistance or equipment to pave the way toward new business transactions, and acted as an honest broker for a sale.

PRA saw the win-win potential for a partnership between Piscifactoría de los Andes, a trout processing company in Huancayo, Peru, and SAIS Tupac Amaru, a large farm nearby. Piscifactoría had the capacity to sell up to three times more fish than what its own ponds produced, but it doubted that SAIS and other local farms could provide quality fish. SAIS had been unable to maintain production of its once high-quality trout and did not trust Piscifactoría as a business partner. Yet a partnership could help Piscifactoría expand its operations and bring much-needed investments and jobs to SAIS.

PRA worked as a mediator to help both groups see the value of a potential relationship. As a result of this brokering, Piscifactoría invested $70,000 in the rehabilitation of SAIS's ponds and improved its ability to meet market quality demands. SAIS enhanced its production to Piscifactoría's specifications and became a reliable supplier. The approach was profitable for Piscifactoría, enabling the company to turn to additional local suppliers, expand sales by $5.8 million and create 550 jobs.[15]

The PRA benefited local Peruvians in many ways. Contracts brokered in Huancayo and elsewhere increased the incomes of suppliers, many of whom live near Peru's poverty line. The work involved in meeting these contracts required additional hired labor. This resulted in improved opportunities for unskilled workers and lifted some above the World Bank's extreme poverty line. In some cases, PRA also demonstrated the viability of products not previously produced in the region, such as quinoa or artichokes, opening new markets and attracting imitator firms. Finally, workers and suppliers spent their new earnings in the local economy, benefiting entire communities.

USAID funding for PRA ended in 2013, partly as a reflection of the Agency's move away from economic growth programming. Although PRA was not rigorously evaluated, what it left behind is promising: local market actors better connected to each other and to external buyers, increasing local production, generating jobs and investing locally. In fact, between 2000 and 2007, 1,500 microenterprises and 37,500 individual producers participated in transactions facilitated by PRA, generating $232 million in sales.[16] PRA's role as facilitator paved the way for business relationships that continue to benefit Peruvians.

15 Riordan, James. "One Buyer at a Time." *Stanford Social Innovation Review*. Winter 2007.

To improve economic conditions in Peru, USAID used Development Credit Authority (DCA) loan guarantees to get local capital to underserved farmers, such as Juanita. Peru's progress in reducing extreme poverty can be attributed to economic growth and efforts to ensure that the poor shared in this growth. PHOTO: BOBBY NEPTUNE

Conclusion

Peru's reduction in extreme poverty over the past eight years can be attributed to both economic growth and targeted efforts to ensure that the poor shared in this growth. Before 2003, Peruvian markets and governments failed to connect the country's impoverished interior to its increasingly prosperous coast. USAID helped address this failure by helping the government design infrastructure concessions and helping small producers connect to markets for their goods. These are no doubt small contributions to the much broader economic growth process. Nevertheless, they are contributions worth learning from and replicating, as they reflect ways that USAID can help catalyze local resources and networks for development.

***Joshua Templeton** recently completed four years as a mission economist for USAID/Peru and is now USAID's regional economist for Southeast Asia. The views expressed in this essay are his own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

16 Weidemann Associates, Inc. *Final Evaluation of USAID/PERU Poverty Reduction and Alleviation (PRA) Activity.* 2008. http://pdf.usaid.gov/pdf_docs/PDACN110.pdf

Getting Serious about Investment Appraisal: A Call for Building Local Capacity for Economic Analysis

Jerrod Mason

Improving the quality of public investments in developing countries is crucial to ending extreme poverty within the next generation. Investments in education, health and public infrastructure promote broad access to economic opportunities and have the potential to help individuals and firms increase productivity and improve lives—but they must be efficient and effective.

Many partner governments, however, lack the capacity to evaluate investment options and select those with the greatest benefits. Donor agencies, which regularly apply economic analysis to their own development investments, should support a concerted effort to build this capacity.

Development organizations—including USAID—have long recognized the importance of applying cost-benefit analysis, cost-effectiveness analysis, or other forms of economic analysis to their own investments to safeguard against poor decision-making and maximize the impact of their development dollars.

Over the last 25 years, however, donor-funded activities have declined dramatically as a share of total capital inflows into the developing world. In this new landscape, the biggest lever that development agencies hold is not improving the effectiveness of their own spending—important as that is—but rather improving the ability of host governments to evaluate and select the most effective investments.

Donor investment is declining in relative importance

Between 1990 and 2012, total official development assistance (ODA) to lower- and middle-income countries grew at an annual rate of about 4 percent. By contrast, foreign direct investment (FDI) to lower- and middle-income countries increased by about 16.5 percent annually over the same time period.[1, 2] As a result of this massive

1 World Bank, "World Development Indicators," 2014. [Online]. Available: http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators. [Accessed 20 03 2014].

2 OECD, "QWIDS," 2014. [Online]. Available: http://stats.oecd.org/qwids/. [Accessed 20 03 2014].

Construction workers prepare the new biomass energy power plant in Marigat, Kenya, as part of a USAID-fostered partnership between Cummins Cogeneration Kenya Ltd. and the Kenyan Government. Improving the host government's ability to evaluate and select the most effective investments can have a huge impact on economic growth. PHOTO: USAID

growth, FDI flows to the developing world in 2012 were nearly five times larger than all ODA flows combined.

In addition to the massive expansion of foreign private investment all over the developing world, developing-country governments have begun to access domestic and foreign debt markets, many benefiting from lower overall debt levels as a result of the Highly Indebted Poor Countries Initiative. Within the last decade, sovereign foreign-currency bonds have been issued on international markets—attracting strong demand at relatively low prices—by the governments of Ghana, Gabon, Nigeria, Zambia and Rwanda.

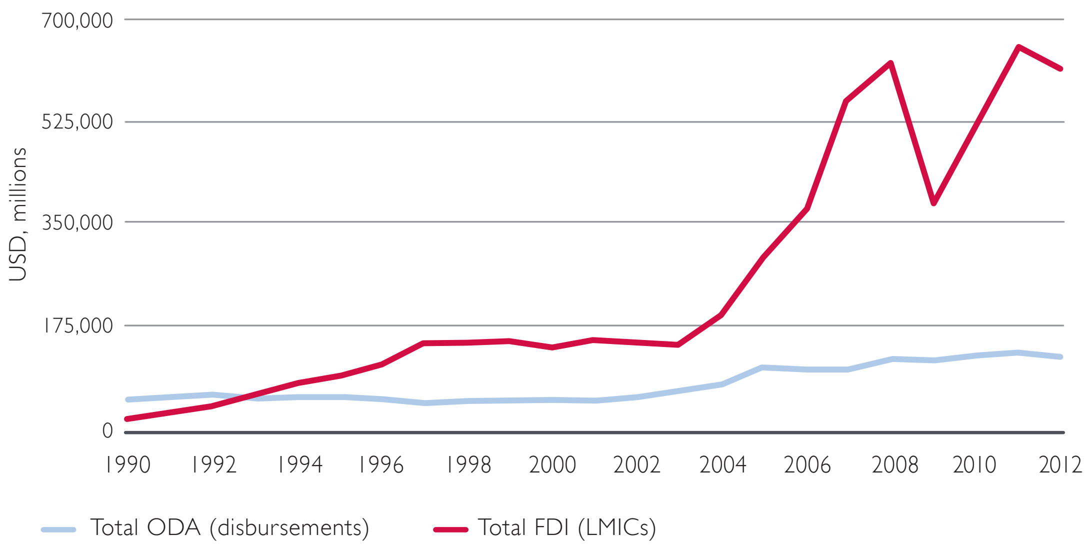
Finally, developing-country governments have increasingly turned to public-private partnerships to finance projects in investment-intensive sectors such as power, water, transport and information and communications technology. Growing incomes in many countries and the lure of new markets create strong incentives for private-sector investors. Meanwhile, governments and their people benefit from increased competition and expanded access to goods.

This sea change in external finance has had, and will continue to have, a fundamental impact on bilateral and multilateral development agencies. Donor-directed funds no longer account for the lion's share of foreign capital flows and public investment into many of the developing countries in which USAID operates. For instance, Kenya's government budgets between FY 2010–11 and FY 2012–13 called for an average of about $4.6 billion in government-financed development spending each year.[3] During that same period, total annual official development assistance to

3 Kenya Ministry of Finance, "Budget Reports for FY 2010–11 to FY 2012–13."

FIGURE 1.

FDI has far outstripped development spending over the past two decades.



Sources: World Bank, OECD

Kenya averaged approximately $2.25 billion, or less than half as much as the Kenyan Government development spending. Public-private partnerships and private investments influenced by the Kenyan Government through policy and regulation-setting have further reduced the relative role of donors in the investment landscape.

While making better decisions regarding design and management of donor-funded or financed projects remains key to poverty reduction, it is no longer the only important source of investment that must be considered.

Improving partner country investment decisions is crucial

Although many developing-country governments have made strides in improving domestic resource mobilization and in accessing financial markets, they still face real budget constraints and cannot afford to waste their investment dollars. Countries that make prudent public investment decisions at both the strategic and project levels can usher in a future of dynamic, poverty-reducing growth, while those that do not may suffer from anemic or narrowly shared growth that fails to broadly improve overall living standards.

There is rightly a great responsibility for developing-country governments to manage investments wisely. These include investments undertaken within national development budgets, funded through domestic resources or through debt offerings. They also include private investments that require some government cooperation or direction, such as public-private partnerships for infrastructure development. For the latter types of investments, private investors ensure a financial return for their stakeholders, but governments should also ensure that the project benefits society as well.

One important way to improve the quality of investments in developing countries is to build capacity within government ministries, implementing partners, civil society and academia for rigorous investment appraisal. These efforts have the potential for enormous returns, as publicly financed and directed investment continues to play a larger and larger role in facilitating (or in limiting) economic growth.

Sustained efforts are needed to build appraisal capacity

Some USAID missions have begun to recognize the power of this type of capacity building and have hosted country counterpart trainings in economic analysis. Over the last two years, USAID's Bureau for Economic Growth, Education and the Environment, working in cooperation with missions, has conducted intensive training in cost-benefit analysis and other forms of economic analysis for government counterparts in South Africa, Afghanistan, Haiti and Kenya.

Through courses tailored to fit host country needs, participants gained hands-on experience in developing economic analyses of actual development projects in their own countries—gaining the tools for making better public investment decisions. USAID employees participated in these trainings as instructors and students, working with their host country counterparts to build a foundation for future cooperation on the design and analysis of public investments. One example is a two-week cost-benefit analysis course that took place in Afghanistan during February 2014. Among the course's 29 participants were 12 from the Afghan Government, representing the Ministry of Finance and line ministries, and the Afghan water and power utilities.

Through hands-on case studies, participants learned how to conduct financial and economic analyses of projects and gained experience in building, interpreting and using the results of cost-benefit analysis models for decision-making. These are the skills needed for identifying, designing and managing effective projects that maximize the social benefits of public investments. Moreover, participants evaluated actual investments in their own countries and selected alternatives with the greatest societal benefits.

Members of society who understand the impacts of public investment are better able to defend their rights and interests as decisions are being made about how public funds are spent.

These few examples of host-country training initiatives occurred in the absence of any broader strategic focus at USAID to encourage these efforts. A few ad hoc training courses, however, will not create the institutional change necessary to achieve further large gains in poverty reduction. To address this need, the USAID mission in Afghanistan is pursuing a longer-term mechanism for providing ongoing local-language instruction in economic analysis to Afghans in government, civil society and academia on a longer-term basis. The USAID mission in Haiti is developing a similar program.

USAID is also partnering with institutions on the ground to build their capacity for teaching economic analysis of public investments. The USAID mission in Kenya recently worked with the Kenya School of Government to design and conduct a course for government officials on analyzing power sector investment and regulation. Future capacity building programs evaluate a range of training alternatives to identify the most effective options.

These types of longer-term training programs can yield huge benefits as governments learn how to design and manage their investments more effectively. Additionally, offering civil society organizations and other groups access to these tools strengthens the ability of citizens to hold governments accountable for the impact of public spending. Members of society who understand the impacts of public investment are better able to defend their rights and interests as decisions are being made about how public funds are spent. In this way, building the capacity for evaluating investment options outside of government helps ensure that benefits are widely shared and contribute to extreme poverty reduction, rather than benefiting the few at the expense of the many.

Strengthened capacity for economic analysis is no panacea for poor government accountability; reforms that encourage government transparency and the rule of law and curtail the influence of entrenched interests are often key pieces of the solution as well. However, equipping groups across society with the tools to challenge ineffective or misdirected spending is an important step in reducing the undue influence of entrenched interests in many developing economies.

Workers survey the site of a new biomass energy power plant in Marigat, Kenya. Developing countries have increasingly turned to the private sector to finance critical projects in the power, water and transport sectors. PHOTO: USAID

Conclusion

Development agencies must continue to improve the quality of their own investments and to increase their impact on poverty reduction. However, we must look beyond simply increasing the impact of an official assistance portfolio that represents a continually shrinking piece of the overall development pie. Instead, donors should consider how to improve the effectiveness of all investments in developing countries. Building local government and stakeholder capacity for economic analysis is a vital step. Such an effort is crucial for achieving our goal of eliminating extreme poverty. It's time we get serious about making it happen.

Jerrod Mason *is an economist in USAID's Bureau for Economic Growth, Education and Environment. The views expressed in this essay are his own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

Ending Extreme Poverty in the Philippines through Urban-Led Growth

Gloria Steele, John Avila, Daniel Miller and Gerald Britan

A development paradigm focusing on cities as engines of growth

In the Philippines—and quite possibly in many other rapidly developing countries—urban-led development focused on second-tier cities as engines of growth promises to be an effective approach for addressing poverty and the inequitable distribution of income.

USAID's mission in the Philippines believes that the development of more competitive second-tier cities can drive inclusive growth that improves the welfare of both urban populations and people living in surrounding peri-urban and rural areas.[1] As a recent white paper on urbanization noted, "cities can be engines of economic growth" and "urban growth, in turn, drives rural development."[2]

This approach is grounded in data that report higher growth in economic output in several increasingly urbanizing Asian countries. In these countries, the development of secondary cities effectively stimulated surrounding rural development.[3] For example, from 1970 to 2006, China and India each produced an average 6 percent increase in per capita GDP for every 1 percent increase in urban population. Vietnam and Thailand exhibited 8 percent and 10 percent increases, respectively.[4]

Cities in the Philippines, however, have not generated the same high rates of economic growth or reductions in poverty that were realized in China, India, Vietnam and Thailand. This has been attributed to the nation's archipelagic geography, highly

1 Michael Spence in the preface to the 2009 *Urbanization and Growth,* published by the World Bank, noted, "Deciding whether urbanization causes growth or growth causes urbanization is very difficult, and largely beside the point. We know of no country that either achieved high incomes or rapid growth without substantial urbanization, often quite rapid. There is a robust relationship between urbanization and per-capita income: Nearly all countries become at least 50 percent urbanized before reaching middle-income status. In all known cases of high and sustained growth, urban manufacturing and services led the process."

2 International Housing Coalition. 2010. *The Challenge of an Urban World: An Opportunity for U.S. Foreign Assistance. Washington, DC.*

3 Ramos, C.G., J. Estudillo, Y. Sawada and K. Otsuka. 2012. Transformation of the Rural Economy in the Philippines, 1988-2006. *Journal of Development Studies*, 48(11): 1629-1648.

4 World Bank. 2014. *Country Partnership Strategy for the Republic of the Philippines, FY 2015–18.* Washington, D.C.

A shop owner receives payment from a girl buying rice in the Philippines. USAID is focusing its efforts on second-tier cities like Cagayan de Oro as drivers of urban-led economic growth, which in turn will spur rural development. PHOTO: ROMEO GACAD / AFP

fragmented structures for spatial and infrastructure planning and poor metropolitan governance.[5]

Conventional approaches to development planning have failed to meet the challenges of rapid urbanization—particularly the poverty, exclusion, informality and vulnerability produced in its wake.[6] USAID's urban-focused Cities Development Initiative in the Philippines is designed to address these challenges and make a significant difference in alleviating poverty.

Poverty and the imbalance of development

Despite an impressive average annual GDP growth rate of 7 percent from 2011 to 2013, unemployment and under-employment remain high in the Philippines, hovering around 7 and 20 percent, respectively. National poverty levels have scarcely budged. Economists call this the paradox of hollow, or jobless, growth.

Income inequality likewise persists: According to national statistics, the top 20 percent of Filipinos capture nearly half of the nation's total income, while the bottom 20 percent possess only 6 percent. Viewed from another perspective, total income for the wealthiest 20 percent of Filipinos is more than eight times greater than the total income of the poorest 20 percent.

Simply stated, economic gains in the Philippines have not yet generated tangible improvements in the lives of most Filipinos. Estimates by the Philippine Government and multilateral development agencies predict that the

5 World Bank. 2014. *Country Partnership Strategy for the Republic of the Philippines, FY 2015–2018.* Washington, D.C.

6 Asian Development Bank. 2011. *Inclusive Cities,* Manila.

Philippines will miss both the poverty and hunger targets set under the Millennium Development Goals. The proportion of the nation's population living in extreme poverty (less than $1.25 a day) has been declining—but at the very slow pace of 21.6 percent in 2003 to 19.2 percent in 2012.[7]

For the last 50 years, most development assistance in the Philippines has focused on rural growth as the principal means for poverty alleviation. The strategy seemed to make sense, historically at least, since the vast majority of the poor lived in rural areas.

Despite a continuous long-term focus on rural-led growth, however, rural poverty, at 39.4 percent, remains significantly higher than the national average of 26.5 percent and more than three times higher than the percentage in urban areas.[8] Moreover, agricultural productivity remained depressed, and the agricultural growth that did happen was not accompanied by increases in labor productivity.[9]

In addition, about 62 percent of Philippine growth has been concentrated in the major urban center of Metro Manila and the areas surrounding it: CALABARZON (four provinces to the southeast of Manila)[10] and Central Luzon (seven provinces in the plains north of Manila). This rural-urban imbalance is also noticeable in the incidence of poverty across the nation. Only the National Capital Region and two of its immediate neighbors had household poverty rates less than the national average. The entire rest of the country had poverty rates above the national average.

7 World Bank. 2014. *Country Partnership Strategy for the Republic of the Philippines, FY 2015–2018.* Washington, D.C.

8 World Bank. 2014. *Country Partnership Strategy for the Republic of the Philippines, FY 2015–2018.* Washington, D.C.

9 World Bank. 2014. *Country Partnership Strategy for the Republic of the Philippines, FY 2015–2018.* Washington, D.C.

10 CALABARZON includes the provinces of Calamba, Laguna, Batangas and Rizal just south of Metro Manila.

An urban-led development strategy that undergirds the Partnership for Growth

Through the Partnership for Growth (PFG), launched in November 2011, the United States and the Philippines are working together to accelerate and sustain broad-based and inclusive economic growth. The PFG identified binding constraints to growth—weak governance, inadequate fiscal resources, insufficient infrastructure, weak human capacity and pervasive corruption—and concentrates on the policy, regulatory and institutional changes critical to achieving more inclusive and sustainable growth. To have transformative impact on economic growth, the PFG requires strong and sustained levels of engagement from both governments.

The goal: Increase local capacity to manage urbanization and growth, improve the enabling environment for local enterprise development and strengthen the connectivity between urban and surrounding rural areas.

Starting in 2011, the Government of the Philippines has been implementing major policy and institutional reforms and has been strengthening its anti-corruption efforts. Since then, the Philippines has significantly advanced its position in international rankings of business climates worldwide, jumping 30 places in the World Bank's Doing Business survey, 28 places in the World Economic Forum's measure of global competitiveness and 35 places in Transparency International's Corruption Perceptions Index. Real GDP growth has averaged 7 percent per year in the last three years, well above the 4.7 percent average recorded from 2008 to 2012.

Strong economic fundamentals, combined with enhanced confidence in the government, also led the big three credit rating agencies to raise their ratings for the Philippines, further improving the environment for investment. Thanks to the country's fiscal policy reforms and improved tax administration, total tax revenues grew by 13.2 percent and tax effort increased from 12.3 percent to 12.9 percent of GDP—the highest increase in decades.

Thus far, economic growth has been heavily concentrated in and around the national capital region. Rather than fight these trends, USAID's urban-led strategy applies and takes advantage of PFG-generated policy and institutional improvements in second-tier cities, where the potential for urban-rural growth is the greatest.

Why focus on second-tier cities?

Our rationale begins with understanding the close link between the growth trajectories of nations and dense human settlements. Cities, benefiting from physical proximity and increased density, become magnets for entrepreneurial talent and innovation. They typically produce a disproportionate share of a nation's economic output, as measured in GDP. In the Philippines, cities already offer higher average standards of living compared with surrounding rural areas. The poverty incidence in urban areas (12.8 percent) is roughly half of that in the country as a whole (26.5 percent).

Cities also stimulate growth in surrounding peri-urban and rural areas. A recent study on the transformation of the Philippines' rural economy found that growth in the rural nonfarm sector occurred in tandem with the development of infrastructure integrating rural areas with urban centers. This growth opened up employment opportunities to male and female workers across age groups, which is vital to reducing poverty and achieving more egalitarian distributions of income.[11]

Most second-tier cities in the Philippines, with relatively small populations and far less economic activity than Metro Manila, are at relatively early stages of urban development. Development of these cities can help ease congestion and pressure on Metro Manila's resources and infrastructure—further contributing to broad-based, inclusive, sustainable national growth. Furthermore, second-tier cities in the Philippines are more closely located to the rural and peri-urban areas, where most of the country's poor people live.

Thus, USAID's mission in the Philippines aims to assist in the development of second-tier cities using the ideas and plans that underlie our new urban-led growth strategy.

Developing an urban-led strategy: the Cities Development Initiative and USAID's mission in the Philippines

Our strategy is to strengthen cities' economic competitiveness and resilience through a carefully coordinated and integrated set of interventions. The goal: Increase local capacity to manage urbanization and growth, improve the enabling environment for local enterprise development and strengthen the connectivity between urban and surrounding rural areas. These interventions will draw upon USAID projects that foster economic

11 Ramos, C.G., J. Estudillo, Y. Sawada and K. Otsuka. 2012. Transformation of the Rural Economy in the Philippines, 1988-2006. *Journal of Development Studies*, 48(11): 1629-1648.

growth and improved governance, health, education and environmental resilience.

As part of the PFG, we initiated the Cities Development Initiative (CDI) in three cities: Batangas south of Manila, Iloilo in the Visayas region and Cagayan de Oro in the Northern Mindanao region. Through our urban-led growth strategy, we hope to help create cities in the Philippines that are effective engines of growth, foster broad-based and inclusive growth, and are environmentally sustainable and resilient.

More effective engines of growth

Emerging-growth cities must foster environments that enable new, job-generating businesses to thrive. This means lowering the costs of doing business, facilitating new investments, particularly for small- and medium-sized enterprises, and protecting property rights.

To build upon conditions in Batangas, Iloilo and Cagayan de Oro, USAID assisted in efforts to improve overall business climates, particularly for starting a business, and establish Investment Promotion Offices to attract more investment.

The three CDI cities made significant progress streamlining the business registration and license renewal processes. This included introducing a single application form, reducing the number of steps from as high as 27 to just three or four, reducing the number of required signatories from 13 to one and decreasing overall processing time from several days to just an hour. Businesses now can submit renewal forms online, receive tax orders of payment through email and pay their business taxes and fees at city hall. In Cagayan de Oro, the streamlining of business processes led to an increase of 38.7 percent in business registration fees in the first quarter of 2014 compared to the same period in 2013.

Improved business processes attract investors, leading to the more plentiful and higher-paying jobs that increase buying capacity for goods and services provided by the poor in rural and peri-urban areas. More investment should also result in more taxes to fund education and health services for the poor.

More economically broad-based and inclusive

Cities can serve as economic growth hubs that create jobs for their poorest residents, deliver and improve services and link rural agricultural producers with urban markets. Economically thriving cities can provide farmers with growing markets for their products, reducing the need to migrate to cities in search of employment.

Based on our experience with the pilot cities, we expanded CDI's focus beyond its initial emphasis on the economic climate and business environment to a "whole of mission" approach that encompasses urban planning, health, education, environmental resilience and other services essential to engaging the urban and rural poor, developing their human capital and ensuring equitable, sustainable growth.

USAID's mission in the Philippines is also working to create and improve links between cities and surrounding rural areas. This involves reducing policy and regulatory barriers, lowering connectivity and information costs related to the spatial flow of goods and services, strengthening supply-chain linkages between urban markets and rural producers and developing arrangements that improve coordination and exchange.

More environmentally sustainable and resilient

Given the Philippines' vulnerability to natural hazards, disasters cost the Philippines as much as 2 percent of GDP annually and put large urban populations at risk. For cities to achieve sustainable development and inclusive growth, they must increase environmental resilience by improving the management of natural resources and reducing the risks associated with natural disasters.

CDI has helped build environmental resilience in its three pilot cities. To increase access to water and sanitation, USAID forged partnerships for network optimization and septage management between local water service providers in Iloilo and Cagayan de Oro and providers in Manila. Through conducting training in cost-benefit analysis, USAID helped local governments strengthen their capacity to prioritize initiatives and increase their cities' resilience to impacts related to hydrologic climate change.

Low-emission development also plays an important role in resilient urban development and growth, and CDI helped pilot cities implement these strategies. This included using the Rapid Assessment of City Emissions tool in Batangas to promote low-carbon and resilient urban development growth. Also in Batangas, USAID partnered with the private sector and the local government to launch an interactive learning hub about the environment and climate change. CDI also organized business forums to promote clean and renewable energy investments. In Cagayan de Oro, one such forum facilitated a connection that led to a green development loan from the Land Bank of the Philippines to a local property developer.

Conclusion

The three cities supported by USAID's mission in the Philippines are now some of the fastest growing and progressive cities in the country. Cagayan de Oro and Iloilo ranked first and second, respectively, among 122 cities in the National Competitiveness Council's 2013 City Competitiveness Survey. Batangas garnered the second-highest satisfaction score among 14 cities included in a customer satisfaction survey for business registration and renewals. Streamlining of the business-permitting process led to increases in business registrations across the three cities and increases in combined local revenues.

Based on our experience working in the first three CDI cities, we will scale up the program to include other urban areas and mobilize a wide range of assistance instruments to increase impact. This includes leveraging private capital, partnering with the private sector to improve the investment climate and more fully engaging local academia and civil society. While we do not yet have extensive data on the CDI's impact on reducing poverty, increasing growth in the country combined with increasing engagement of the poor bodes well for the future.

The three cities supported by USAID's mission in the Philippines are now some of the fastest-growing and progressive cities in the country.

Gloria Steele *is mission director,* ***John Avila*** *project management specialist,* ***Daniel Miller*** *office director, and* ***Gerald Britan*** *strategy and evaluation adviser for USAID/Philippines. The views expressed in this essay are their own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

Resolving the Tension Between Agricultural Growth and Nutrition

Neal Donahue and Ilisa Gertner

When it comes to lifting 1.2 billion people out of extreme poverty by 2030, one thing is certain: It is not going to happen without agricultural growth and greater food security, particularly in sub-Saharan Africa and South Asia. As U.N. Secretary-General Ban Ki-moon recently remarked, "We will not eliminate extreme poverty or achieve sustainable development without adequate food and nutrition for all."[1]

With 70 percent of the world's extreme poor living in rural areas and relying at least partially on agriculture for their livelihoods, agricultural growth is key to raising the incomes of the world's poor. We know that this growth needs to include smallholders, both male and female, who constitute the majority of those in extreme poverty. We also know that growth needs to be driven by market demands if it is going to be sustainable.

Approaches and best practices for spurring inclusive, market-led agricultural growth, such as the facilitative value chain approach, are well-grounded in research and experience. These approaches are being implemented around the world in various iterations with a good deal of success.[2]

Our understanding of food security, by contrast, is undergoing something of a revolution. For years, food security was primarily thought of in terms of caloric intake, and development goals centered on boosting agricultural output to ensure an adequate volume of food. Over the past few years, however, research has stressed a greater focus on nutritional intake and the quality and types of foods consumed. In particular, we now know that caloric and nutritional intake—especially for pregnant women and children under the age of 2—can have a lifelong impact on economic potential and

1 http://www.un.org/News/Press/docs/2014/sgsm15827.doc.htm

2 Jeanne Downing, Ruth Campbell and Olaf Kula, "Note from AMAP: Developing a Shared Commitment to the Value Chain Approach," April 4, 2012, http://www.microlinks.org/learning-marketplace/notes/note-amap-developing-shared-commitment-value-chain-approach. Also see USAID, "Feed the Future Progress Report: Accelerating Progress to End Global Hunger," May 2014, http://www.feedthefuture.gov/progress. USAID's Mali Cereal Value Chain project is an example of a successful facilitative value chain approach under the Feed the Future initiative. See http://www.acdivoca.org/site/ID/mali-cereal-value-chain.

Winnowing, pictured here, improves the quality of farmers' grains by removing impurities. Through the MARKETS II project, USAID worked with commercial buyers and banks to help smallholders access training and high-quality seeds and fertilizers. These market-driven systems have a significant impact on poverty. PHOTO: ADOLPHUS OPARA

quality of life. Recent research has also shown that increased income alone does not necessarily lead to improved nutritional behaviors and reduced malnutrition.[3]

Agricultural growth initiatives going forward must therefore be designed to boost farmers' incomes and increase the demand and supply of nutritious food. A frequent challenge in the fight against extreme poverty and food insecurity, however, is the underlying tension between these seemingly complementary goals. The crops farmers produce for self-consumption or for the market may not be the most nutritious, and the market demand for nutritious crops may not be enough to drive supply.

3 L. Haddad, H. Alderman, S. Appleton, L. Song and Y. Yohannes, "Reducing Child Malnutrition: How Far Does Income Growth Take Us?" World Bank Economic Review 17 (2003): 107-131.

This situation challenges donors and their partners to increase the demand for nutritious foods in ways that make financial sense to the farmers who supply the crops. To accomplish this, donors and partners must understand and address household decisions and behaviors related to purchasing and consuming food.

Inclusive, market-led agricultural growth

For market-driven agricultural growth to lift people out of extreme poverty, it needs to be more inclusive of smallholders, especially women.[4] In many poor and food-insecure countries, smallholders' limited access to resources like technology,

4 FAO, "Men and Women in Agriculture: Closing the Gap." http://www.fao.org/sofa/gender/home/en/

inputs, finance and information has constrained their yields. Low crop yields limit the availability of food for smallholders' families and the wider food system. Low yields also constrain farmers' ability to sell or trade surplus food, which limits their access to available food. If farmers increase their yields and improve the quality of their crops, they can boost their incomes while helping to meet an ever-growing global population's increased demand for food.[5]

Nigeria is just one country where we have seen inclusive agricultural productivity through market-driven systems make an impact on poverty. Through the Maximizing Agricultural Revenue and Key Enterprises in Targeted Sites (MARKETS) and Bridge to MARKETS II (BtM2) projects from 2005-2012, USAID and Chemonics International worked through large-scale commercial buyers and agricultural lending banks to help smallholders access training and high-quality inputs, such as seeds and fertilizers.

Not only did the projects' facilitative value chain approach build stronger relationships between smallholders and buyers, it increased the productivity of rice farmers by an average of 285 percent and generated $614 million in revenue for agribusinesses, farmers and farmer groups. It also increased smallholders' ability to produce the high-quality long-grain paddy that commands high prices.[6]

Because the projects worked entirely through market actors, the commercial buyers who initially partnered with smallholders have continued to provide training and high-quality inputs, even after the projects have ended. For example, Olam, one key buyer under MARKETS, is still motivating other rice processors to work more closely with farmers and is interested in pursuing similar activities in other value chains.[7] BtM2 continued working in these value chains with an expanded partner base—with women constituting 51 percent[8] of the participants—and showed $32 million in incremental sales in its first year.

Although evidence-based approaches to inclusive, market-led growth are well established, incremental innovations continue to improve agricultural development. Under a Feed the Future project in Uganda, Chemonics is taking an unconventional approach to strengthening value chains for maize, beans and coffee.

Rather than bypass "middlemen" due to their reputation for squeezing producer margins, which aid programs have been doing for years, we are helping traders and village agents provide farmers with production and marketing services, leading to improved relations and a win-win for all sides. Traders and village agents benefit from higher sales of inputs and crops. Farmers, meanwhile, increase their use of improved seeds, fertilizers and production practices and increase their sales.

To ensure sustainability, we are embedding technical assistance and technology transfer—areas traditionally subsidized by governments and donors—into the business plans and budgets of value chain actors. Within its first year, the project is seeing strong preconditions for sustainability.

5 We are not taking a position on whether land is best used in industrial (e.g., large, specialized and mechanized) farms versus smallholder productivity structures. We do know that smallholders have great efficiency potential and that we cannot have any of these structures be inefficient if we are going to meet global food demands.

6 "Commercializing Nigerian Agriculture: USAID Maximizing Agricultural Revenue and Key Enterprises in Targeted Sites (MARKETS)." Final Report. April 2012. Note that this report incorporates BtM2 results. http://www.chemonics.com/OurImpact/SharingImpact/Documents/Nigeria_MARKETS_Final%20Report.compressed.pdf

7 McNally, Tyler, Jonash R., Patel, H. Greenovate! Companies Innovating to Create a More Sustainable World. IXL Center, Hult International Business School, Imaginatik. p. 76.

8 USAID Maximizing Agricultural Revenue and Key Enterprises in Targeted Sites (MARKETS) II. Quarterly Progress Report. January – March 2014. http://www.chemonics.com/OurImpact/SharingImpact/Documents/Nigeria_MARKETSII_Quarterly%20Report%20Jan%20-%20March%202014.pdf

Traders sponsored 384 self-financed demonstrations to promote the adoption of improved production technologies and inputs. In the first quarter of 2014, farmers purchased $375,000 worth of improved inputs at prevailing market prices.[9]

The impact of nutrition

There is a growing consensus that nutrition is one of the best investments for advancing global health and development.[10] To address extreme poverty in the decades ahead, nutrition needs to be more fully integrated into agriculture and food security initiatives, with a focus on increasing the demand for nutritious food.

Chemonics has seen the potential impact of integrating nutrition with agricultural growth more widely in food-insecure countries. In Nepal, encouragement of Nepalese farmers to diversify their crops to improve their incomes and their nutrition has led thousands to provide more nutritious foods to their families.[11]

In northern Nigeria, the MARKETS project piloted an activity related to livelihood and household nutrition to address the nation's alarming number of malnourished children. The activity, which integrated economic empowerment and nutrition education for 4,000 mothers, was based on the 1,000 Days partnership. This partnership targets action and investment on improving nutrition during the 1,000 days between a woman's pregnancy and her child's second birthday.[12]

An assessment revealed important changes in attitude and behavior. The number of participants who considered nutrition to be the top factor when making food choices for their families rose, from just 4.9 percent to 39 percent, as did the number of women who reported exclusively breastfeeding their babies, from 20 percent to 75 percent.[13]

Resolving the tension

With so many of the world's extremely poor dependent on agriculture in sub-Saharan Africa and South Asia, we need to improve farmers' yields and profits in those regions. As research links nutrition to an individual's and country's economic potential, we also need to encourage the consumption of more nutritious foods.

Integrating nutritional education and behavior change activities in agricultural growth programs, as Chemonics has done in Nepal and Nigeria, is a promising step in this direction. As Feed the Future enters into its next phase and the larger development community commits to eradicating extreme poverty by 2030, now is a crucial time for donors and partners to more fully integrate nutrition and agriculture toward improving the lives of people living in poverty.

__Neal Donahue__ is the director for the Middle East region and __Ilisa Gertner__ is the manager for the agriculture and food security practice at Chemonics. The views expressed in this essay are their own and do not necessarily represent the views of the U.S. Agency for International Development or the U.S. Government.

9 USAID. "Feed the Future Commodity Production and Marketing Activity: Quarterly Performance Report: January-March 2014." April 2014. http://www.chemonics.com/OurImpact/SharingImpact/Documents/Uganda%20Commodity%20Production%20and%20Marketing%20Activity%20%20QRT%20report%20%20Jan%20-%20Mar%202014.pdf

10 http://www.thousanddays.org/about/

11 USAID, "Strengthening the Foundations for Inclusive Economic Growth: Nepal Economic , Agriculture, and Trade (NEAT) Activity: Final Report," August 2013, https://dec.usaid.gov

12 For examples of 1,000 Days practices and successes, please refer to: http://www.thousanddays.org/resources/success-stories/

13 USAID MARKETS Livelihood and Household Nutrition Activity Assessment. January 2011. The assessment measured the impact of a pilot activity targeting women from food-insecure households in Northern Nigeria and was designed and rolled out to more than 4,000 participants between June and September 2010. http://www.fsnnetwork.org/sites/default/files/usaid_markets_livelihood_and_nutrition_assessment.pdf

Reducing Rural Poverty through Targeted Use of Technology

Besa Ilazi and Brian Fahey

In the past, Dukagjin Dedaj, like many farmers in Kosovo, felt disconnected from the marketplace through which he sold his dairy products. The local processor that bought the raw milk from his cows often disputed its quality, and the lack of a transparent information source to suggest otherwise left Dedaj and other dairy producers at a distinct disadvantage for receiving adequate compensation for their milk.

Frustrated farmers often resorted to selling the raw milk their farms produced outside of regular—and regulated—channels. Frequently, they hawked unpasteurized and poorly packaged product by the roadside. This significantly inhibited the ability of farmers to expand their dairy herds and improve their incomes. Additionally, this sapped consumer confidence in the quality of domestically produced dairy products and constrained growth in Kosovo's dairy processing sector. As a consequence, imports dominated the marketplace.

To address this constraint, USAID established an integrated program to strengthen the linkages between dairy farmers and dairy processors. This integrated program included targeted technical assistance on-site at farms, development of an unbiased milk testing system and use of SMS messaging to share test results.

In Kosovo, as in many developing economies, the agricultural sector fails to reach its full potential as a driver of growth. The manifold reasons include poor infrastructure, low productivity and limited access to markets. These constraints are particularly acute for operators of small farms in the most remote rural areas, who are often among the poorest of the poor.

Technical assistance may target each facet of the problem individually. A technological solution, however, can incentivize across-the-board positive change.

In this situation, technology enabled a positive feedback loop that gave actors within the agricultural sector—producers and processors—affordable access to the timely, relevant information they required to respond proactively for their businesses.

Dukagjin Dedaj, a dairy farmer, displays a message from Kosovo's state laboratory grading his milk "extra class." This classification allows him to charge premium prices for the milk his 52 cows produce.
PHOTO: USAID

The text-messaging platform, which in this case disseminated test results for raw milk from a centralized laboratory, has been used in other development projects to share market price, weather and health information. In Kosovo, the technology fostered an increase in the quantity and quality of the milk produced by the nation's dairy herds. It also spurred a variety of equally positive, knock-on effects, including improved access to credit for farmers and improved collaboration within the dairy industry. This net result augurs well for incorporating technologically enabled feedback loops into development projects.

A text message away

USAID, working with partners, established Kosovo's national raw-milk sampling laboratory in the mid-2000s. Milk samples, collected from farms on a biweekly basis, are blinded so that their origins remain unknown to the experts conducting the testing. This eliminates the potential for bias and increases confidence in the results.

Initially, farmers received the results from field officers or through a password-protected website, also developed by USAID. However, many owners of small farms do not have immediate access to a computer, which means that they could only receive test results in the form of paper printouts delivered by field officers and milk collection agents. This led to time delays that hindered the effectiveness of the program.

To provide more immediate access to test results, USAID engaged a local IT company to develop software for disseminating test results by SMS—a development that enabled the program to finally reach its full potential. Now, roughly 1,700 Kosovo dairy farmers, including those with only a few cows, receive their milk test results on their phones twice a month.

SMS messaging has resulted in Dedaj increasing his dairy herd from 15 to 52 cows and significantly improving his family's livelihood. He always believed his cows produced excellent quality milk, but now the proof is in his pocket. Pulling out his mobile phone one recent morning, Dedaj showed off an SMS message received from a state laboratory. It concisely measured his cows' raw milk against eight standardized parameters, including percentages of fat, protein and sugar.

The SMS message graded Dedaj's milk as "extra class," a classification that allows him to command premium prices for the 720 liters of milk his cows produce each day. It also earns him a government subvention earmarked to increase the domestic supply of the highest grades of raw milk.

"This is the biggest thing USAID has done for farmers," Dedaj said. He and other farmers receive testing results just days after their milk has been sampled, and purchasing dairies gain access to the same information. The two parties then use the results to set wholesale prices for the raw milk.

"We no longer argue about quality—that's a third party's job to determine now. All we talk about is price," Dedaj said.

Prompt information means better products

The SMS test results also allow Dedaj and other farmers to respond more quickly to any deficiencies in their raw milk. For example, a decrease in the milk's butterfat content would prompt an adjustment of the cows' feed regimen, perhaps by mixing in more soybean meal.

Recently, Dedaj received a message indicating that his cows' milk had slipped a grade.

"I immediately checked every cow. Which one had contributed to the slip in quality? I had to find the reason," Dedaj said.

Testing revealed one of his cows had mastitis in one of its teats. This infection eventually leads to inflammation; however, it would not have been detected at such an early stage had Dedaj not been alerted by the SMS notification.

"It's a miracle. I am sitting at home, and a message shows up and tells me about the health of my cows," Dedaj said.

Improving access to credit

The milk testing program resulted in more consistent, predictable and constructive relationships between farmers and dairy processors. Farmers, armed with information, felt confident in the quantity and quality of their cows' milk and therefore sought to expand their dairy herds. However, many still faced difficulties accessing the bank credit to do so.

Backed by the SMS test results, Kosovo's farmers could make a stronger case for increased lending. Yet banks failed to respond, mostly due to a lack of competition and general unfamiliarity with lending to the agricultural sector. The situation left the owners of small farms with limited means for adding cows, improving their barns and purchasing necessary equipment, like cooling tanks.

To address this constraint, USAID established a Development Credit Authority (DCA) guarantee funded by the Government of Kosovo. This was the first DCA guarantee of its kind to be funded by a foreign government, demonstrating a high degree of confidence and collaboration between the Government of Kosovo and USAID.[1]

The credit access project involves six banks and provides a 50 percent guarantee for up to $26 million in agricultural loans[2]. To foster healthy competition, USAID only allocates half of the guarantee up front. Future allocations of the remaining guarantee are awarded to the banks that lend most aggressively to rural farmers. This is measured by metrics such as interest rates and collateral requirements, which often are the two biggest impediments farmers face in borrowing.

The DCA guarantee is permanently changing banking behavior.[3] Banks now are hiring and training dedicated agro-lending experts who understand how to structure loans to the agricultural sector. One bank has even utilized the DCA guarantee to establish an agro-lending card. This enables the owners of small farms to purchase necessary inputs, such as small-scale equipment, with extended grace terms linked to the agricultural season.

Expanding farms, growing relationships

The improvements in milk output and quality catalyzed by the SMS system have also helped foster constructive working relationships between ethnic groups in Kosovo who share a long and often bitter history of conflict. This divide is evident even in rural areas immediately outside Kosovo's capital of Pristina, where village populations often are segmented by ethnicity. Fostering business linkages among opposing ethnic groups is often the first step to healing these deep divisions.

In Gračanica/Graçanicë, a Kosovo Serb majority area a 20-minute drive from the capital, the owners of small dairy farms used the SMS messages in their efforts to seek bank financing and expand their dairy herds. They also used the SMS system to seek new sales outlets. The Serb farmers used technical and marketing advice from USAID's agricultural support project to connect with a Kosovo Albanian dairy processor in nearby Miradi e Epërme/Gornje Dobrevo. This processor now uses the raw milk it purchases in pasteurized fluid milk, cheese and yogurts sold in supermarkets across the country.

He always believed his cows produced excellent quality milk, but now the proof is in his pocket.

Implications

The SMS program proved an important catalyst for economic growth within Kosovo's dairy industry. By combining high-tech testing with a relatively low-tech and inexpensive means of dissemination, it puts information within reach of even the poorest of Kosovo's farmers. It applies to

1 While USAID typically funds DCAs, this DCA was funded through the Government of Kosovo. A few years earlier, USAID established and funded a DCA with one bank in Kosovo to encourage increased lending. It was so successful that the Government of Kosovo expressed a desire to duplicate the DCA but did not have sufficient funds to establish its own stand-alone credit guarantee program. By collaborating with USAID, the Government of Kosovo made funds available to USAID to fund a much larger credit access program through the DCA mechanism.

2 DCA agreement signed in September 2012.

3 Kosovo DCA Assessment Report, January 2014.

industries everywhere that rely on rapid, consistent, low-cost provision of quality information to incentivize assertive action. Moreover, the positive associations it engendered—evidenced in all players' feedback—should ensure its continued operation, which is key in empowering the beneficiaries of development assistance to take control of their futures.

Due to the SMS program's success, the agricultural community is generating ideas about further applications. For example, members of the dairy sector are now in discussion with USAID to develop an SMS system that would advise dairy farmers about the feed formulation that is critical to achieving high milk production. With this system, which is in the early design stage, farmers input information related to forages, milk quality and anticipated yields. The system then returns messages about the right balance of rations and feed mix for achieving optimal milk production.

USAID and the agricultural sector are also exploring ways to use SMS messaging to link rural farmers with a network of agricultural experts to ask questions and receive immediate advisory services. Although these developments depend upon widespread cell phone coverage, they are an encouraging sign that technological advancements, such as SMS messaging, are helping optimize complementary development efforts elsewhere in the agricultural sector.

Besa Ilazi *is a project management specialist and* ***Brian Fahey*** *is a senior private sector adviser with USAID's Kosovo mission. The views expressed in this essay are their own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

Going Forward (Without Going Backward)

PHOTO: KELLEY LYNCH

From Fragility to Resilience

Nancy Lindborg

Throughout the last 50 years, we have made steady and heartening progress in global development, achieving a string of accomplishments that many once feared impossible. Since 1990, maternal mortality rates have been nearly cut in half, as has the number of children dying before age 5. Five years ahead of the 2015 deadline, we met the Millennium Development Goal of reducing extreme poverty rates by half, and we are well within reach of cutting world hunger in half by 2015.

The number of extremely poor has fallen drastically over the last 20 years in middle-income, non-fragile states, such as China, India, Vietnam and Brazil. And with the promise of new partnerships, science, technologies and innovations, we are poised to propel global development in ways never before possible.

But by contrast, trend lines point to greater concentrations of extreme poverty in the coming decades in fragile states like the Democratic Republic of the Congo, Nigeria, Haiti, Yemen, Chad and the Central African Republic. In these countries, the number of those in poverty remains stubbornly high, and the most vulnerable populations face even greater risk.

As we look ahead to this new frontier of development, we must be ready to confront the twin punches of climate change and conflict. As climate change results in more cycles of drought and higher frequency and intensity of storms, development gains come under increasing threat. Stubborn clusters of poverty are increasingly concentrated in fragile states, where cycles of disaster and conflict are ever more persistent and devastating.

We will need to double down on our efforts to shock-proof development and make building resilience a central tenant of our development agenda by managing risk and tackling fragility.

The cost of ignoring risk and vulnerability

Climate change

In the Horn of Africa and the Sahel, what used to be 10-year drought cycles now occur every few years. Before households have time to recover, the

A victim from Typhoon Haiyan observes the devastated waterfront community in Tacloban. The Philippines loses up to $5 billion every year as a result of natural disasters. PHOTO: ODD ANDERSEN / AFP

next shock hits, setting them even further back. Communities throughout the Sahel were unable to recover from the droughts of 2008 and 2010 before the 2012 drought hit, pushing 18 million people across the region into crisis.

In 2011, the worst drought in East Africa in 60 years hit hardest in the arid drylands of northern Kenya, a historically marginalized and underdeveloped part of the country. Yet the cost of the drought was felt nationwide. The World Bank estimated an economic loss of $13.2 billion, in a country where 16 million to 18 million people still live on less than $1.25 a day.

Asia experiences more floods, cyclones and hurricanes than any other region of the world. For example, when Typhoon Haiyan—the largest recorded cyclone to hit land—struck in November 2013, it was the 25th storm in the Philippines that year, large enough to merit a name, and affected 16 million people. Every year, the Philippines loses up to $5 billion as a result of natural disasters, an amount equal to roughly 2 percent of its gross national product. As a country that still lags behind in several Millennium Development Goal benchmarks, the Philippines is not in a position to absorb losses of this magnitude year after year.

As the impact of climate change escalates, the shocks of natural disaster—droughts, floods and typhoons—come more fiercely and frequently. Recent findings from the Intergovernmental Panel on Climate Change confirm that we are already seeing the effects through variable rainfall, rising temperatures and sea levels, stronger storms and increased drought. The High Level Panel of Eminent Persons on the Post-2015 Development Agenda identified climate change as the single

A Somali boy is checked for malnutrition at a refugee camp in Kenya. Somalia, which has endured 20 years of conflict, descended into famine during the 2011 drought in East Africa. In fragile states, we must be ready to confront the twin punches of climate change and conflict. PHOTO: PHIL MOORE / AFP

greatest factor that will determine whether we reach our development goals.

As we see in East Africa, in the Sahel and across Asia's islands and cities, the effects of climate change disproportionately have an impact on the least-prepared populations: people who are marginalized—especially women—and those who are chronically poor, who are unable to survive repeated shocks and who live in areas without government capacity for preparedness and risk management.

Fragility and conflict

The shocks of climate change prove most profound in the countries least prepared to deal with them. Ample evidence now makes plain the correlation between fragility and conflict. Nearly 80 percent of the 50 countries currently affected by conflict exhibit significant levels of fragility, which USAID sees as a function of effectiveness and legitimacy in the state–society relationship. As the current arc of conflict simmering across the Sahel through Somalia demonstrates, weak, ineffective institutions, coupled with exclusive or marginalizing politics and chronic poverty, can catalyze conflict that eventually throws an entire country into chaos. According to the World Bank, one in every three development dollars was lost over the last 30 years due to reverses from conflict or disaster.

We see this explosive mix playing out all too clearly in South Sudan, where leaders have squandered the precious development gains of the last several years in their fight for political gains. The spasms of violence that began in December 2013 have plunged the new nation back into crisis. With longstanding humanitarian needs and only nascent institutions, South Sudan spiraled quickly into chaos and now faces the threat of famine in its three conflict-affected states. Similarly, during the 2011 drought across East Africa, Somalia, a collapsed state consumed by 20 years of conflict, descended into famine—and was the only nation in the region to do so.

Globally, the international community mobilizes an average of $18 billion annually for lifesaving humanitarian assistance. In nations like Thailand, Indonesia and the Philippines, a decade of disaster risk reduction efforts including strong partnerships with USAID means they have an ability to respond successfully to all but the most devastating disasters. A 10-year partnership with the Philippines to develop early warning systems and train first responders at the local and national levels in incident command response contributed to the government's ability to evacuate 800,000 people in advance of Typhoon Haiyan, saving hundreds of thousands of lives.

With the onset of climate change, middle-income and even fully developed nations may be overwhelmed by disasters like Typhoon Haiyan and will continue to need humanitarian funding. However, the bulk of global humanitarian aid currently flows urgently and repeatedly into the same group of fragile states, where chronic poverty, often linked with persistent cycles of conflict and natural disaster, keeps millions in need of continued humanitarian assistance. These nations, all too often places with the lowest development investments, become instead a permanent humanitarian caseload.

Shock-proofing development

Over the next several decades, development and humanitarian policymakers and practitioners have the imperative—and the opportunity—to tackle this challenge together. As 2014 marks new levels of crisis and humanitarian need, we can no longer rely on humanitarian action after a crisis or disaster hits. Instead, we must shift from emphasizing only a growth-oriented model of development to one also focused on risk and vulnerability. We must break down the stovepipes to enable a shared understanding of problems and goals among humanitarian and development actors and to consistently fulfill our commitment to early, effective action in response to early warning.

USAID is committed to answering that challenge, and two approaches provide important pathways forward: the Resilience Agenda and the g7+ New Deal for Engagement in Fragile States. At the heart of both is recognition that sustained development success ultimately requires effective, inclusive democratic government partners, working together with civil society and the private sector.

Resilience

From New Orleans after Hurricane Katrina to the Philippines after Typhoon Haiyan, battered communities around the world have faced long, often painful journeys to dig out, rebuild and regain what they have lost. As these storms become more frequent, the important concept of resilience has entered the international lexicon.

Prior to the 2011 drought in the Horn of Africa, development programs in Kenya starkly illustrated a common problem: Government and donor investments focused on productive regions in the south, while the arid northern drylands received little government or international development investment. While decades of humanitarian assistance did save lives in the north, longer-term development languished.

Since 2011, USAID has been at the forefront of a global effort to transform this assistance delivery system. Our goal is to accelerate investments that help countries, communities and households get ahead of shocks; more effectively align global development partners; break down stovepipes; and support country-led resilience strategies.

In the Horn of Africa and the Sahel, we

Despite drought in Ethiopia, a farmer was able to grow a bountiful harvest thanks to a drought-tolerant variety of chickpea. New science, technologies and innovations are poised to propel global development in ways never before possible. PHOTO: ALINA PAUL-BOSSUET

have worked closely with international development partners to support the Intergovernmental Authority on Development and the Economic Community of West African States as they provide important leadership for regional resilience efforts. As a result, countries across both regions are developing their first-ever resilience strategies. Kenya, Ethiopia, Uganda and Djibouti now all have national government platforms for mainstreaming resilience across the appropriate country ministries.

After three years, Kenya has its first resilience strategy for the arid drylands and has pledged to cover 40 percent of the costs on its own. Niger has developed a groundbreaking strategy, called Nigeriens Nourish Nigeriens, which provides ministries with a comprehensive framework for building resilience. USAID has used these country strategies to guide our new comprehensive resilience investments in the Horn of Africa and the Sahel. We have brought together sectors and partners with the common goal of building resilience so communities can withstand shocks and stay on the pathway to development.

To institutionalize and accelerate this vital shift, USAID in 2012 adopted a new policy for resilience. Drawing upon our strategies for food security, climate change adaptation and mitigation, and disaster risk reduction, resilience informs a comprehensive systems approach that layers, sequences and integrates funding and programs for humanitarian and development assistance. New USAID programs in the Horn of Africa, the Sahel and Asia have embraced this approach, reflecting a commitment within the agency to a different way of doing business.

Tackling fragility head on: the new deal for engagement in fragile states

In 2008, a set of self-identified, conflict-affected states first began work on a framework now known as the g7+ New Deal for Engagement in Fragile States. These states identified five goals for peace-building and state-building: inclusive politics, security, justice, economic foundations and revenues and services. The resulting New Deal, based on research by the World Bank and Organization for Economic Cooperation and Development, recognizes that security, development and governance are deeply intertwined and must be pursued simultaneously.

Countries are pledging to work with civil society and the private sector to develop country compacts based on the five peace-building and state-building goals to chart a pathway out of conflict. This is an audacious undertaking for many fragile states, and the road will be long and bumpy, but it offers a bright spot of hope.

At the Fourth International Dialogue on the New Deal in Freetown, President Koroma of Sierra Leone delivered a remarkable speech. He poignantly called Sierra Leone a "living manifestation of the maxim that 'conflict is development in reverse'" and highlighted that a decade of bloody civil war had displaced 2.6 million people. Just over a decade later, President Koroma noted, a spirit of hope exists in the country. He credited this to a commitment to inclusive political dialogue and new partnerships between the government and civil society, to ensuring the provision of critical services to citizens, schools and clinics and to reforming the security and justice sectors. His vision is middle-income status for Sierra Leone within a generation, based on the pathway offered by the New Deal.

The new frontier of resilience

Meeting the twin challenges of climate change and conflict will be critical for preserving development gains and ending extreme poverty. In the face of mounting global humanitarian needs, these challenges demand a transformation in how we provide international assistance. Because no one organization or nation has the resources or ability to solve these challenges alone, we must continue to drive toward frameworks and platforms that align action for results in partnership with people and their leaders.

With that challenge in mind, USAID has partnered with the Rockefeller Foundation to create the Global Resilience Partnership, a bold new vision for building resilience in three zones most vulnerable to shocks: the Horn of Africa, the Sahel and South/Southeast Asia. With an initial investment of $100 million, the Partnership will work with international, regional and local partners to catalyze new ideas, amplify best efforts and align resources for helping the most vulnerable withstand the inevitable shocks and stay on the pathway to development.

We know that shocks will come from climate and political instability. We can no longer rely on simply responding to crisis after it hits; instead, our collective commitment must be to work through partnership and alliances to move from fragility to resilience. We then have the potential to maintain the incredible progress already achieved and reach the audacious goal of ending extreme poverty by 2030.

***Nancy Lindborg** is the assistant administrator for Democracy, Conflict and Humanitarian Assistance at USAID. The views expressed in this essay are her own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

What the Resilience Dividend Could Mean for Alleviating Extreme Poverty

Judith Rodin

When Cyclone Phailin hit India's east coast last fall, early warning and evacuation systems saved countless lives. Fewer than 30 people died in the initial storm, compared with a storm of similar impact and location 15 years ago which killed 10,000. Although the loss of human life was minimized, the impact on livelihoods was severe. The cyclone destroyed fishers' boats, decimated crops and damaged homes. While rebuilding and recovery is under way, the reality is that another typhoon season is just around the corner. Another storm of similar size could knock communities back to square one.

For poor and vulnerable people, increases in the frequency and intensity of events like Phailin loom large. The uncertainty of where or when another disaster might strike makes it difficult to plan or save for the future. But we do know that, with every passing year, more people are threatened by the possibility of life-changing disaster. By 2030, up to 325 million extremely poor people will be living in the world's most hazard-prone countries, the majority in South Asia and sub-Saharan Africa.

The increasing frequency and impact of these shocks and stresses hinder more than individual sense of security; they stymie development progress in many parts of the world. An estimated one out of every three dollars spent on development is later forfeited to the destruction of natural disasters. Meanwhile, year after year, humanitarian aid continues to pour into the same regions to address immediate recovery needs.

We need a new approach—one that more effectively captures synergies across the provision of humanitarian and development assistance and optimizes investments that forestall the underlying vulnerabilities that turn man-made and weather-related shocks into disasters.

At The Rockefeller Foundation, we believe that approach is building resilience, defined as the capacity of individuals, communities, organizations and systems to survive, adapt and grow in the face of shocks and stresses—and even to transform, when conditions require it.

Technological solutions have the ability to catalyze financing for resilience dividends. Crop and climate modeling led to the financing of this irrigation site at Awda-Guanda watershed in Ethiopia. Irrigation canals such as this one are built by communities in exchange for crop insurance or food aid.
PHOTO: KELLY RAMUNDO / USAID

More than disaster response, resilience focuses on investments that can be made before disruption strikes. And unlike risk mitigation, which focuses only on vulnerabilities, resilience takes into account capabilities and strengths—for example the unique services provided by local ecosystems or the strong cultural cohesion among societies—resources that can be leveraged not only in times of disaster, but every day.

These are elements of what we call the resilience dividend, which has two parts. First, resilience minimizes the amount by which households, or any other scale we might look at, experience a drop in their economic and health security as the result of a shock. It maximizes the speed at which a sustained recovery can begin.

The second part of the resilience dividend can be broadly defined as the co-benefits of investing in resilience—that is, stronger social services, more diversified economic opportunities, more tourism or new (and more) jobs. In the context of development, resilience investments can contribute to increased economic and social progress in vulnerable parts of the world, maximizing the expenditures of foreign governments or development banks.

The Rockefeller Foundation has organized our resilience work around helping communities, cities and entire industries achieve this resilience dividend. We've been doing this work for nearly a decade, first in post-Katrina New Orleans, then in dozens of Asian cities to help them build resilience strategies to address climate change. Last year, we launched our biggest effort yet, the 100 Resilient Cities Challenge. This $100-million effort focuses on building resilience in 100 cities worldwide and creating a platform of goods and services that carry the additional capacity to leverage public-finance and private sector resources.

Across all of our work, we have learned a number of principles that guide successful resilience-building, from the importance of empowering local actors to identify problems and develop tailored and evidence-based solutions to the power of cross-regional collaboration and the critical role of innovation in incubating novel solutions and scaling high-potential ideas.

Another component that underpins resilience is the principle of inclusion—ensuring that people are consulted on and become collaborators in decisions that affect their lives and facilitating access to the physical, financial and social resources that will help them through times of shock and stress.

With these learnings top of mind, and in consultation with humanitarian and development actors building resilience around the world, we've identified four gaps we must address to better integrate resilience into future work.

The first is building capacities for forecasting and managing risk. Today, a limited ability to predict and quantify risk leads to consistent and widespread under-investment in activities for building resilience. Through inputting rapid, responsive and representative data into a combination of predictive analytical models, we could more easily diagnose regional problems and gain an earlier line of sight regarding where assets and investments are most required.

Second, good measures of resilience are essential for diagnosing problems, deploying resources and designing appropriate resilience-building strategies. Further improving the evidence base and understanding around what works and attracts investments for resilience is imperative.

Third, financing vehicles are needed that increase the flexibility and responsiveness of current funding flows and provide resources for currently under-funded—but potentially high impact—solutions. Resilience Impact Bonds—bonds issued by a government backed by a donor—could be one example. These bonds could finance a range of projects—from strengthening natural ecosystems (through activities such as mangrove planting) to large-scale coastal protection and small-scale infrastructure, such as sea walls or storm-resistant housing, which would protect key assets.

Fourth, technological solutions are needed to accelerate resilience-building. Predictive modeling, for example, can generate compelling evidence and catalyze financing toward resilience dividends. The Rockefeller Foundation saw this happen in 2008 when we funded Stanford University researchers to develop climate and crop models at the country level for sub-Saharan Africa. These models helped inform our support of Oxfam's launch of the HARITA/R4 partnership, which led to the development of a crop insurance program in Ethiopia that protects poor farmers in times of drought in exchange for their labor on community projects, such as irrigation ponds, that build resilience against future dry seasons.

To date, this effort has grown from a pilot of 200 farmers to a program serving over 20,000 farmers in Ethiopia. Oxfam enlisted a host of collaborators to fuel the partnership, including Swiss Re, the International Research Institute for Climate and Society (IRI), the Relief Society of Tigray, Dedebit Credit and Savings Institution, Nyala Insurance Company and Africa Insurance Company. The initiative is being replicated in Senegal, beginning with 500 households.

This is just one example of success—but we need many more. To this end, The Rockefeller Foundation and USAID have launched the Global Resilience Partnership, a $100-million effort. This partnership builds upon our combined successes in applying resilience concepts in development

A man participates in a water conservation project as part of the Kenya Drylands Livestock Development Program. An estimated one dollar of every three dollars spent on development is forfeited to destruction by natural disasters such as droughts or hurricanes. PHOTO: USAID

and humanitarian sectors to leverage hundreds of millions—possibly billions—of dollars toward innovative and scalable resilience solutions in the Horn of Africa, the Sahel and South and Southeast Asia, all dramatically impacted regions.

Although this partnership is in its early stages, we're already seeing great enthusiasm and engagement. The goal is not to compete with the host of actors already doing successful work but rather foster their ingenuity and investment and help them amplify their efforts by offering expertise, solutions tailored to their challenges and added capacity to realize their ideas. Ultimately, the Global Resilience Partnership aims to help vulnerable communities and organizations better anticipate, prepare for and recover from shocks and stresses of increasing frequency and intensity and to protect the lives and livelihoods of hundreds of millions of people.

We hope this effort will contribute to the alleviation of extreme poverty in these regions. When families and households are able to save more money, protect their assets and make plans for the future, they will have a better chance of rising from their economic circumstances, rather than getting knocked back down again and again. That's the potential of the resilience dividend for meeting our development goals. We believe it's an investment worth making.

Judith Rodin *is president of The Rockefeller Foundation. The views expressed in this essay are her own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

The Economic Transition of Health: New Directions for Health Finance

Ariel Pablos-Méndez

President Barack Obama has set forth a vision to realize one of the greatest contributions to human progress: the elimination of extreme poverty. The protection of human life and health is a key component of this vision.

Developing countries are now experiencing an economic transition of health, driven by economic growth, trends in health spending and the changing role of official development assistance. Because of this promising transition, we have a first-ever opportunity to work with these countries to build effective, efficient and equitable health systems with financing approaches that protect people from extreme poverty. Health coverage that ensures universal, equitable access to affordable, quality health services will be an essential ingredient to ending extreme poverty by 2030.[1]

Big returns on investment

According to the 2013 *Lancet Commission on Investing in Health* report, financing health services to reduce mortality will play a critical role in ending poverty. The Lancet Commission, co-chaired by Larry Summers and Dean Jamison, noted that reductions in mortality account for 11 percent to 24 percent of recent economic growth in low- and middle-income countries. If we invest an additional \$24-\$61 billion (\$13-\$26 per person) annually in health services in low- and middle-income countries, 169 million lives will be saved by 2035, and enhanced financing for health services will result in income returns that are 9 to 20 times the original investment (Figure 1).[2]

These investments make a grand convergence in life expectancy between rich and poor countries a feasible goal for our generation. Adults and children living longer, healthier lives become robust contributors to income growth. The impact of improved health outcomes on a country's economic productivity

1 World Bank, "Universal Health Coverage for Inclusive and Sustainable Development—A Synthesis of 11 Country Case Studies." (April 11, 2014).

2 The Lancet Commission on Investing in Health, Global Health 2035: A World Converging Within a Generation. (December 2013); Global Health 2035—Supplementary Web Appendices, www.globalhealth2035.org (June 2014).

FIGURE 1. Scaling-up to Grand Convergence & UHC

Full-income return 9 to 20 times the investment

	Annual incremental lives saved (2035)	Annual incremental cost* (2015–2035)	Proportion of real GDP growth by (2035)
Low-Income Countries	7.4M	$23B–27B	3%
Low- and Middle-Income Countries	7.4M	$38B–53B	<1%

**Approximately half the investment is in health systems*

Sources: The Lancet Commission Investing in Health; World Development Indicators

plays a vital role in ending extreme poverty.

Investments in health by USAID and our partners have produced concrete results. Over the past 50 years, infant and child death rates in the developing world have fallen by 70 percent. Deaths of children under 5 decreased from 7.7 million in 1990 to 4.8 million in 2011 in the 24 priority countries of USAID's Ending Preventable Child and Maternal Deaths initiative.[3] In countries with efforts focused on maternal and child health, the maternal mortality ratio decreased by more than half, from 695 deaths per 100,000 women in 1990 to 315 per 100,000 in 2010.[4]

From 2005 to 2011, in conjunction with USAID's work toward an AIDS-free generation, deaths due to AIDS-related causes fell 25 percent. In sub-Saharan Africa, the number of AIDS-related deaths declined by nearly one-third. Furthermore, over 46.5 million people received HIV testing and counseling through the U.S. President's Emergency Plan for AIDS Relief, including 11 million pregnant women.[5]

Economic transition in health

What do we mean by an economic transition in health? This transition occurs when developing countries, through economic growth and associated increases in total health expenditures, reach a point where they can fund an essential package of cost-effective public health services and clinical health services and support health systems that are capable of substantially reducing the country's disease burden through domestic resources alone.

3 USAID, Fifty Years of Global Health, Saving Lives and Building Futures—USAID's Tradition Continues. (2014).

4 USAID Annual Progress Report to Congress: Global Health Programs FY 2013.

5 USAID, Fifty Years of Global Health, Saving Lives and Building Futures—USAID's Tradition Continues. (2014).

As many low-income countries experience rapid growth, their total health expenditures grow as well, putting essential health services within reach for entire populations. Countries that reach this economic transition point are able to use their newly available domestic resources to provide everyone with access to health care, including people in extreme poverty.

Concurrently, it's becoming more affordable to ensure these essential health services. In 2014, the World Health Organization's Commission on Macroeconomics and Health estimated a $51 cost per capita for its essential package of health care services—which includes clinical and public health interventions in tuberculosis, malaria, HIV and maternal and child health. Also in 2014, the International Health Partnership High Level Task Force on Innovative Financing of Health Systems estimated a $71 per capita cost for its essential package of health services.[6]

In some developing countries, the challenge is not affordability but how the newly available domestic resources are spent, namely how to shift health care financing away from a status quo that largely involves out-of-pocket payments by people when they need services.

Without equitable health financing, countries are likely to experience the high out-of-pocket spending associated with the growth of unregulated private providers and the inadequate delivery of public services, leading many people into ill health and poverty. High out-of-pocket spending is associated with catastrophic health spending, impoverishment and underutilization of essential services, such as immunizations, by the poor. Countries worldwide recognize the need to decrease their reliance on out-of-pocket payments at the point of service delivery.

According to a comprehensive analysis of surveys from 89 countries, around 150 million people each year suffer financial catastrophe; 100 million are pushed to live below the poverty level because they need to pay for health services. More than 90 percent of the people pushed into poverty by health spending live in low-income countries.[7]

Unfortunately, a problematic "financing ditch" can occur as countries begin to move out of low-income country-status (Figure 2). Official development assistance providers often respond to the new prosperity by cutting aid. However, the country's public sector does not quickly or automatically fill the gap.

Instead, households are forced to compensate, often through out-of-pocket spending or by missing out on lifesaving services. Sustainable emergence from poverty is a complicated picture. One key solution is: Proactively pool risks through equitable financing arrangements for health.

Universal health coverage—the new frontier

Universal health coverage has been defined as a condition where all of the people who need health services—including health prevention, promotion, treatment, rehabilitation and palliative care—receive them without undue financial hardship,[8] and countries are adapting diverse approaches to achieving it. Some nations use a national insurance system that buys services from both private and public providers. Others use the public delivery system to provide better access to health services.[9]

6 These 2014 cost calculations for the two different packages of essential services assume an inflation rate of 2.5 percent annually for the CMH package and 3.5 percent annually for the TFIF package (using medium costing scenario for the TFIF package).

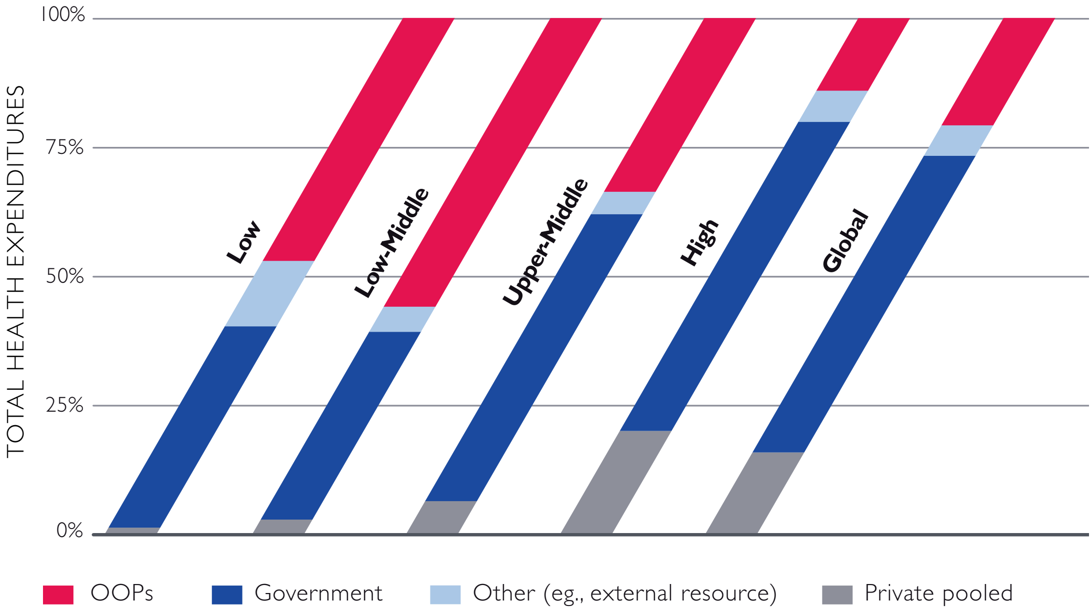
7 Ke Xu, David B. Evans, Guido Carrin, Ana Mylena Aguilar-Rivera, Philip Musgrove and Timothy Evans, "Protecting Households from Catastrophic Health Spending," Health Affairs. Vol. 26, no.4 (2007).

8 WHO (World Health Organization), The World Health Report—Health Systems Financing: The Path to Universal Coverage. http://www.who.int/whr/en/index.html. 2010.

9 World Bank, Universal Health Coverage for Inclusive and Sustainable

FIGURE 2. Out-of-Pocket Expenditures

Inefficient and regressive



Source: WHO 2011 data based on World Bank Country Income Groupings

Over the past decade, there has been growing evidence of developing countries with relatively low incomes improving their health financing arrangements, thereby improving health coverage with essential services and protecting people from impoverishment. Countries as diverse as Colombia, Chile, Ghana and Thailand have introduced such health-financing arrangements.

In Thailand, after a universal health coverage scheme was introduced in 2002, health care usage rates improved, equity of usage increased and the incidence of impoverishing health expenditures declined.[10] The number of households pushed under Thailand's national poverty line as a result of out-of-pocket spending fell from 120,000 in 2002 to 40,000 in 2009.[11]

The Parliament of Ghana, in an effort to reduce the very heavy burden of out-of-pocket payments, passed the National Health Insurance Law in 2003, requiring that all citizens enroll in government-sponsored district health insurance schemes. Seventy to 75 percent of the funds for this insurance program comes from the value-added tax on goods; an additional 20 to 25 percent of the funding comes from Social Security and National Insurance Trust contributions by workers in the

Development—A Synthesis of 11 Country Case Studies. (April 21, 2014).

10 Final report of the Centre on Global Health Security Working Group on Health Financing, "Shared Responsibilities for Health—A Coherent Global Framework for Health Financing." May 2014.

11 Thailand's Universal Coverage Scheme: Achievements and Challenges: An Independent Assessment of the First 10 Years (2001-2010) (2012), Nonthaburi: Health Insurance System Research Office.

formal public and private sectors. Finally, direct premiums from workers account for approximately 5 percent of the financing. Indigents, minors under age 18, the elderly over age 70 and all pregnant women are covered and exempted from premium payments. Most outpatient and inpatient care services are covered.[12] As of 2008, 12 million people out of a total population of 21 million, or 61 percent of the population, were insured.[13]

Universal health coverage implies equity of access for all, including those living in extreme poverty who may be unable to pay for out-of-pocket costs or make payments to prepaid or pooled health insurance arrangements. Equitable access is critical for the extremely poor, who typically forgo even essential health care. This underutilization of essential services by the poor leads to an ongoing cycle of poverty, as people who are sick and vulnerable are unable to participate in the labor market.

Out-of-pocket costs should be zero for the poor, and coverage should focus first on services for conditions that typically affect the poor, such as infectious diseases.[14] When the Government of Ethiopia introduced a health extension program in 2003 in certain regions, a first step toward universal coverage of primary care, the program focused first on conditions that disproportionally affect the poor. Today it is fully integrated into the broader health system and provides 16 defined packages of essential health services. All health extension program services are free and available to everyone.[15]

Universal health coverage is the new frontier in global health. As countries continue to evolve, official donors will shift from providing commodities and services directly to countries and beneficiaries to strengthening health and finance systems in low- and middle-income countries. This shift will occur as some countries graduate from reliance on foreign assistance, instead generating domestic income to finance health expenditures. Ultimately, improving domestic resources for universal health coverage, which includes spearheading tax administration and policy changes, is the path that will sustain viable health systems in developing countries.

Not all low-income countries will travel this path toward self-sufficiency expeditiously. Some rapidly growing economies will be starting from such a low base that they will be unlikely to generate enough domestic revenue to fully pay for health. These countries will continue to need aid to achieve critical health goals.

Pioneering new health financing

In the face of this evolving economic transition in health and current patterns of high out-of-pocket spending on health, what should we do to help poor people get the health services we know they need to thrive? I believe we should continue to embrace the challenge of working with developing countries to harness their growing prosperity to fundamentally shape the future of health financing and universal health coverage.

USAID investments in global health in particular can support President Obama's vision of ending extreme poverty because they involve:

- Collaboration with countries on mobilizing emerging domestic resources to empower them to face the inevitable insufficiency and fluctuations of official development assistance. As part of achieving our goals for an AIDS-free generation, for example, USAID has been increasing

12 African Health Economic Association Conference on Towards Universal Health Coverage in Africa—Key Issues. http://afhea.org/conference/conference2011/files/Key-Issues.pdf (2011).

13 Joint Learning Network for Universal Health Coverage, www.jointlearningnetwork.org (June 2014).

14 Final report of the Centre on Global Health Security Working Group on Health Financing, "Shared Responsibilities for Health—A Coherent Global Framework for Health Financing." May 2014.

15 World Bank, Universal Health Coverage for Inclusive and Sustainable Development—A Synthesis of 11 Country Case Studies. (April 21, 2014).

country capacity to self-finance and sustain HIV epidemic control efforts.
- Expertise working at the intersection of health and finance, gathered from over 50 years' experience applying integrated, sustainable solutions to individual country contexts. As our development partner countries face enormous struggles unique to the current transition period, we understand our responsibility to work with them to recalibrate the mix of official development assistance and domestic resources for health.
- Experience by the U.S. Government homing in on two primary health goals: ending preventable child and maternal deaths by 2035 and ensuring an AIDS-free generation. This work with low- and middle-income countries on health systems and finance gives us the ability to help these countries guarantee adequate focus on essential services related to these goals.

USAID historically has taken a leadership role in helping eliminate extreme poverty through global health programs that address diverse diseases and complicated public health challenges. Since 2010, for example, USAID nutrition programs have reached more than 46 million children under the age of 5, including 12.5 million in FY 2013.[16]

From 1990 to 2012, there has been a 72-percent reduction in the risk of a child dying from pneumonia or diarrhea, from 50 per 1,000 to 14 per 1,000. USAID's health programs ensured the safety of drinking water; in 2013 they supported the treatment of 3.2 billion liters, enough for over 4 million people. Additionally, USAID supported the introduction of vaccines against rotavirus and pneumococcus, two of the leading disease agents for diarrhea and pneumonia, and provided low-cost treatment in more than 1.8 million cases. [17]

Under the President's Malaria Initiative, in FY 2013, USAID protected over 45 million people from malaria with some type of prevention measure.[18] Deaths from tuberculosis have decreased 41 percent since 1990, and the overall prevalence of tuberculosis reduced 40 percent in USAID-supported programs. USAID's support for neglected tropical diseases since 2006 has expanded to reach 25 countries, leveraging a total of $6.7 billion in donated medicines from a $386-million investment.[19]

Overall, USAID's health-sector work contributes to efforts that ensure that poor and vulnerable people can survive and join the labor force as productive contributors. These efforts catapult poor countries toward unprecedented economic growth, making the end of extreme poverty possible. With our partners, USAID is stressing the imperative of health policy reform to prioritize customized strategies and institutional arrangements that increase domestic financing, improve value for money and ensure fair, sustainable universal health coverage.[20] With these actions, I believe all USAID global health programs will be key to dramatically increasing the number of people in developing countries who are able to avoid living in extreme poverty.

***Ariel Pablos-Méndez** is the assistant administrator for Global Health at USAID.*

16 USAID Annual Progress Report to Congress: Global Health Programs Fiscal Year 2013.

17 *Ibid.*
18 *Ibid.*
19 *Ibid.*
20 Ariel Pablo-Méndez, Caroline Ly, Allyla Nandakumar, Timothy Evans, Patrick Eozenou, Olusoji Adeyi, "The Economic Transition of Health in Africa: A Call for Progressive Pragmatism." Oxford Handbook on Africa and Economics. (March 13, 2014).

Women's Empowerment and Family Planning: Investments Essential to Poverty Reduction

Andrea Halverson

Around the table, each woman raised her hand when asked if she was a mother. Most women spoke of five or six children; one was a mother of 11—numbers not unusual for the area. We were in western Côte d'Ivoire, visiting a USAID-funded community program for HIV-affected households. We had met the women who had been keeping their communities intact during political upheaval and economic uncertainty by caring for children orphaned by HIV and AIDS in addition to their own.

In western Côte d'Ivoire, each woman will give birth six times on average. The national average is five births per woman.[1] At the same time, 27 percent of women in Côte d'Ivoire would like to delay or avoid pregnancy but are not using any family planning method.[2]

This unmet need, coupled with post-conflict political fragility, weak institutions and overall economic insecurity, creates a challenging environment for ending extreme poverty by 2030 in Côte d'Ivoire and throughout sub-Saharan Africa. Family planning programs as part of a robust system of maternal and child health care are essential to achieving this goal.

Setting the stage: family planning in the context of economic fragility

Like most African countries, Côte d'Ivoire has not realized the progress toward contraceptive prevalence and fertility reduction that has been seen throughout the world since 1990. In all other parts of the world, fertility rates have declined to fewer than three births per woman.[3]

Africa remains the exception, with a continental average of 4.7 births per woman and regional rates of up to 6.3 in Central Africa and

1 Côte d'Ivoire Demographic and Health Survey (DHS) (2011-2012). MEASURE DHS, ICF International, Maryland, USA. June 2013.
2 *Ibid.*

3 Population Reference Bureau (PRB). (2013) "2013 World Population Data Sheet." www.prb.org. Funded by USAID.

Women carry goods on their heads as they return from shopping in Abidjan. In Côte d'Ivoire, unmet family planning needs, combined with economic insecurity, political fragility and weak institutions, create a challenging environment for ending extreme poverty by 2030. PHOTO: ISSOUF SANOGO / AFP

5.7 in Western Africa.[4] Contraceptive prevalence throughout sub-Saharan Africa remains below 20 percent. Furthermore, in Côte d'Ivoire, only 18 percent of married women use any form of family planning.[5] Use of contraception in other conflict-affected states is similarly low.

In part due to a decade of conflict, Côte d'Ivoire also does not share in global and regional poverty reduction trends. Between 1990 and 2012, the percentage of persons living on less than $1.25 per day in sub-Saharan Africa declined from 56 to 48 percent.[6] Over a similar timeframe in Côte d'Ivoire, the poverty rate for people living on less than $1.41 per day increased from 33.6 percent to 48.9 percent,[7] an alarming spike for a country that was previously seen as an engine of regional economic growth. According to a World Bank analysis, the number of extreme poor living in Côte d'Ivoire is projected to increase from 4.3 million in 2010 to 10.3 million in 2030 if current trajectories continue.[8]

Equitably achieving and sustaining poverty-reduction goals here and in other fragile,

4 *Ibid.*
5 Côte d'Ivoire DHS (2011-2012).
6 Chandy L., et. al. (2013) "Africa's Challenge to End Extreme Poverty by 2030: Too Slow or Too Far Behind?" The Brookings Institution. www.brookings.edu.

7 Fonds monétaire international. (2009) "Côte d' Ivoire: Stratégie de Réduction de la Pauvreté Rapport 2009." The IMF report uses the measure of 661 CFCA per day, which is the equivalent of $1.41 in US dollars at the 2009 exchange rate.
8 Yoshida, Nobuo and Uematsu, Hiroki and Sobrado, Carlos E., "Is Extreme Poverty Going to End? An Analytical Framework to Evaluate Progress in Ending Extreme Poverty" (January 1, 2014). World Bank Policy Research Working Paper No. 6740. Available at SSRN: http://ssrn.com/abstract=2375459

conflict-affected states will require inclusive, sustained development, partnership and investments in voluntary family planning programs. Without these efforts, Africa's high fertility rates will translate to a growing global share of inequality, and sub-Saharan Africans will continue to represent a disproportionate absolute number of the percentage living in extreme poverty.

The complexities and benefits of gender-sensitive family planning programming

Demographics need not be destiny. Extreme poverty can be eradicated. However, doing so requires understanding the complex relationship between family planning, gender equality and economic growth.

Access to contraception is critical to women's self-determination and empowerment and has mutually reinforcing benefits for women and society. Women who have fewer children have more opportunities to become wage earners, boosting family income levels.[9] As women gain access to productive resources, they also report better health outcomes, achieve higher levels of education and experience a lower incidence of intimate partner violence.[10]

These same positive effects are also true for their children.[11] Adolescent girls who delay pregnancy tend to complete more years of schooling, and women with more years of school tend to have fewer children.[12] Investments in family planning thus create a reinforcing cycle of empowerment, supporting healthy, educated and economically productive women and families.

Family planning is also an extremely cost-effective intervention. For every dollar invested in family planning, up to six dollars are saved in future health, education, immunization and maternal health costs that instead can be invested in public spending for stable communities.[13] With effective family planning, governments can make targeted social investments without the added pressure of exponential population growth and its concomitant needs. Meeting the family planning needs of HIV-positive women is especially critical in sub-Saharan Africa and delivers a return on investment by eliminating the costs of prevention of mother-to-child transmission programs and future HIV treatments for children who are born HIV-positive.

In addition, investments in family planning could generate a demographic dividend. When the size of the dependent population (i.e., children and the elderly) shrinks relative to the size of the working-age population, it creates an economic advantage—especially in countries that lag economically. If developing countries with high birth rates like Côte d'Ivoire reduce fertility, the combination of increased wage earners and decreased dependency will fuel major economic growth.[14]

However, the fragility of Côte d'Ivoire and other states vulnerable to conflict and corruption creates myriad programmatic challenges for health and family planning services, including a lack of trained medical personnel and a low number of available, stocked service centers.[15] Furthermore,

9 Bongaarts, John and Sinding, Steve. (2011) "Family Planning as an Economic Investment." SAIS Review of International Affairs. Vol. 31.
10 Head, Sarah. et. al. (2014). "Women's Lives and Challenges: Equality and Empowerment since 2000." ICF International. Funded by USAID.
11 *Ibid.*
12 World Health Organization (2012). "Adolescent Pregnancy Fact Sheet." http://www.who.int/mediacentre/factsheets/fs364/en/
13 United Nations, Department of Economic and Social Affairs, "What would it take to accelerate fertility decline in the least developed countries?" UN Population Division Policy Brief No. 2009/1.
14 Bongaarts, John and Sinding, Steve. (2011) "Family Planning as an Economic Investment." SAIS Review of International Affairs. Vol. 31.
15 McGinn, et. al. "Family planning in conflict: results of cross-sectional baseline surveys in three African countries." Conflict and Health 2011, 5:11.

threats of conflict can deter health-seeking behavior when women do not feel safe traveling to health clinics and therefore fail to receive care. The security situation in Côte d'Ivoire continues to stabilize, providing hope for synergy between political reconciliation and stronger health systems. Yet here and in other fragile states, weak institutions make family planning particularly challenging.

USAID's investments in voluntary family planning programs

Although investments in international family planning programs have lagged since the mid-1990s, recent international movements have re-galvanized attention and resources, especially to address unmet family planning needs in sub-Saharan Africa.

USAID is playing a key leadership role in scaling up informed, voluntary, evidence-based family planning approaches throughout the region. USAID's record of success includes two decades of focus in Asia and Latin America. In these two regions, 24 countries have graduated from family planning assistance by demonstrating their governments' abilities to maintain progress toward key family planning indicators.[16]

Much of the work that remains now resides in sub-Saharan Africa, home to 16 of USAID's 24 current family planning focus countries.[17] USAID has tripled its monetary investments here,[18] and many of the countries are already achieving important gains, including increases in contraceptive prevalence rates from 2004-2011 in seven countries identified as USAID family planning priorities.

Success stories include Rwanda, where family planning use increased from 10 percent to 45 percent and total fertility reduced from 5.54 to 5.34 Malawi saw gains from 28 percent to 42 percent and a fractional decrease in fertility from 6.00 to 5.98. In Ethiopia, contraceptive use increased from 14 percent to 29 percent and total fertility decreased from 5.09 average births per woman to 4.04.

Reductions in total fertility tend to lag behind gains in contraceptive prevalence; thus, while these countries have seen moderate reductions in birth rates (as have most countries in Sub-Saharan Africa since 2000), future surveys will likely measure additional decreases in birth rates as a successful follow-on effect of these recent increases in contraceptive prevalence.[19]

USAID's family planning programs focus on contraceptive access and method choice; they use community health workers to reach women in their communities—a strategy especially key in fragile contexts where women face barriers to reaching health facilities. USAID includes long-acting and permanent methods in the mix of options and has successfully negotiated unit cost reductions for its most in-demand injectable methods and implants.[20]

Programmatic success depends upon integrating family planning into existing maternal and child health service settings, especially HIV-positive mothers who wish to delay or avoid pregnancy. To that end, USAID has supported groundbreaking innovation and research on new

16 USAID. (April 2013) Family Planning Program Overview. http://www.usaid.gov/sites/default/files/documents/1864/fp_overview.pdf

17 Kaiser Family Foundation. "USAID Family Planning Program Countries." FY2011. Available online: http://kff.org/global-indicator/usaid-family-planning-program-countries/. Full list: Zambia, Uganda, Tanzania, South Sudan, Mozambique, Nigeria, Ghana, Mali, Malawi, Kenya, Liberia, Senegal, Rwanda, Madagascar, Ethiopia, Democratic Republic of the Congo, Yemen, Haiti, Nepal, Afghanistan, Bangladesh, India, Philippines, Pakistan.

18 USAID. (April 2013) Family Planning Program Overview.

19 Sharan, et. al. "Family Planning Trends in Sub-Saharan Africa: Progress, Prospects, and Lessons Learned." *Yes Africa Can. Success Stories from a Dynamic Continent* (2011) World Bank Publication.

20 USAID. (April 2013) Family Planning Program Overview. http://www.usaid.gov/sites/default/files/documents/1864/fp_overview.pdf

commodities that protect women against both pregnancy and HIV acquisition. Several new dual-protection methods are on the horizon, including a long-lasting, anti-retroviral contraceptive ring that protects against HIV, herpes and pregnancy.[21] This method is now undergoing clinical trials.

Family planning: the essential investment

Côte d'Ivoire is a country at a crossroads. As one of seven fragile states unlikely to achieve its Millennium Development Goals, it represents the final leg of extreme poverty reduction as 2030 approaches.[22] At the same time, political transition and economic growth have created a window of opportunity conducive to a demographic dividend and the resulting economic and social advantages.

USAID's efforts to reduce extreme poverty here and throughout Africa must account for the various factors that contribute to social and political vulnerability, especially weak maternal and child health care. They also must invest in the voluntary family planning programs that empower women as decisionmakers in their households and communities, programs that will be key to eradicating extreme poverty in Côte d'Ivoire and around the world.

21 Fellman, Megan. (March 5, 2014) "Long-lasting device protects against HIV and pregnancy." Northwestern University. http://www.northwestern.edu/newscenter/stories/2014/03/long-lasting-device-protects-against-hiv-and-pregnancy.html

22 USAID (2014) "Ending extreme poverty in fragile contexts: Getting to Zero: A USAID discussion series."

A young woman hands over condoms in a working district of Abidjan, Cote d'Ivoire, as part of an AIDS prevention program. Contraception access is critical to women's empowerment and has benefits for women and society. Voluntary family planning programs empower women to make decisions for their households and communities.
PHOTO: SIA KAMBOU / AFP

***Andrea Halverson** serves as the deputy director of USAID's Health Office in Côte d'Ivoire. The views expressed in this essay are her own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

The Financing Revolution: Implications for Ending Extreme Poverty

Tony Pipa

Innovation. Disruption. Revolution. These are the types of words we often use to describe transformative changes in a sector or market.

Today, the significant shift in the amount and types of financial resources flowing into developing countries is hardly newsworthy. In fact, it's one of the frequently cited headline statistics at development conferences these days. In the 1960s, aid from the member countries of the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee represented a majority of the total financial flows into developing countries. By some recent estimations, this figure now stands at just 7 percent.[1]

This decrease in the relative share of aid is all the more significant because absolute totals continue to grow. Preliminary figures for 2013 show a 6.1-percent annual increase in official development assistance to its highest level ever, $138.1 billion.

Yet the question remains: Has this shift in overall financial flows been—and will it be—revolutionary and disruptive in accelerating progress to end extreme poverty? How must the aid enterprise adapt in order to maximize the impact of these resources for the world's poorest people?

Understanding the landscape

Private resources by far comprise the majority of dollars now flowing into developing countries from external sources. Overall, aggregate foreign direct investment (FDI) is more than triple overall remittances sent from family members and more than double official development assistance (ODA). Private philanthropy and other forms of charitable donations are also accelerating in growth and nearing the scale of government aid.

At the same time, there has been a far more dramatic increase in the scale of domestic resources in developing countries. In absolute amounts, the

1 Development Initiatives estimates that official development assistance only made up $149 billion of the roughly $2 trillion entering developing economies in 2011. Source: Development Initiatives, "Investments to End Poverty," Chapter 7, pg. 126, http://devinit.org/wp-content/uploads/2013/09/Investments_to_End_Poverty_Chapter_7.pdf, accessed July 22, 2014.

A loan backed by the USAID Development Credit Authority (DCA) helped Huntington and Justine Atuhaire build an irrigation system on their farm. As a result, their crop yields skyrocketed, allowing them to hire additional workers. The DCA took 11 years to unlock its first $2 billion in private capital and only two years for its next $1 billion. PHOTO: USAID

total has increased from $1.5 trillion in 2000 to more than $7 trillion in 2011.[2] Developing countries not only have access to more of the world's capital—as well as additional types of capital and financing mechanisms—they also have more of their own resources to match.

This is good news. Countries are responsible for their own economic and social development, and the mobilization of domestic resources lies at the core of this mission. As a country develops, its mix of external funding sources diversifies, with short- and long-term loans and portfolio equity matching the scale of foreign direct investment and significantly outpacing remittances and development assistance (Figure 1). The combined scale of external investment and increased domestic resources offers great promise for stimulating the inclusive and broad-based economic growth that historically has been the surest path to reducing extreme poverty.

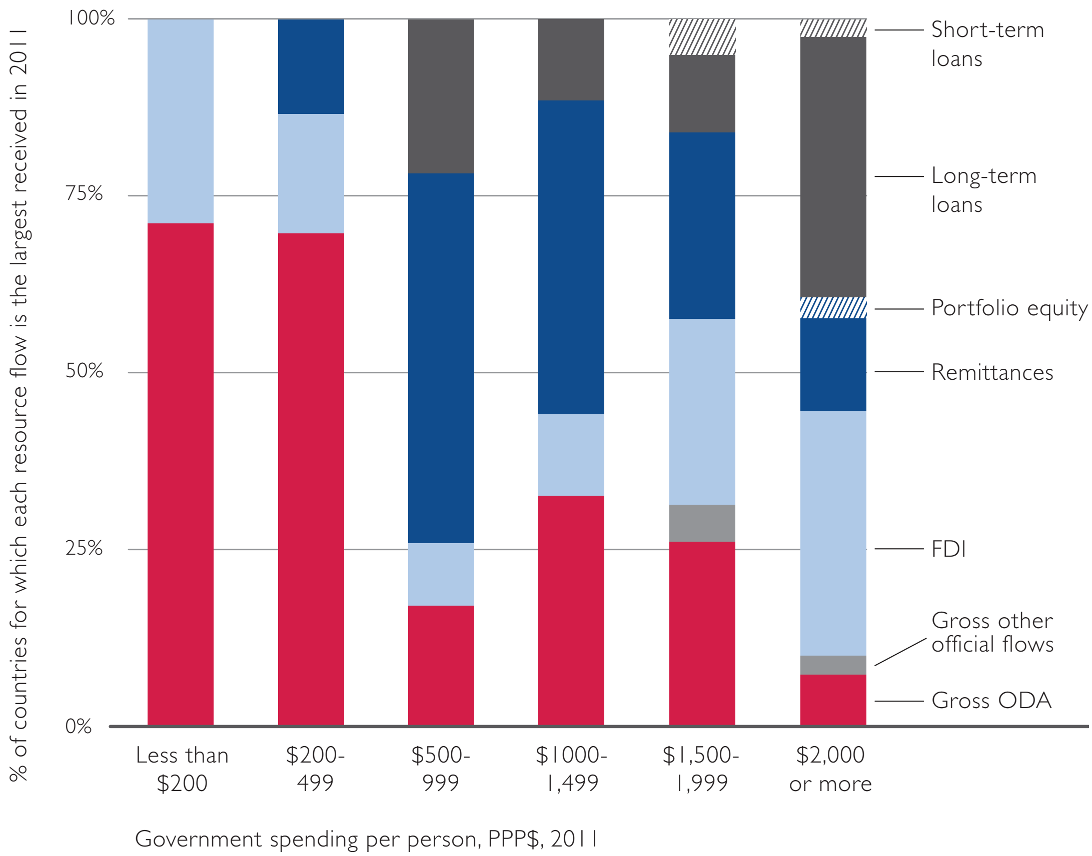
However, deeper analysis of external resource flows paints a more complicated picture. Africa remains the least-favored destination for foreign private flows and accounts for only about $50 billion out of an overall $1.35 trillion—a mere 3.7 percent.[3] Yet in 2010, 34.5 percent of the world's

2 Romilly Greenhill, "Who foots the bill after 2015? Why donors still need to take some responsibility for funding the post-2015 goals," Overseas Development Institute, http://post2015.org/2013/03/25/who-foots-the-bill-after-2015-why-donors-still-need-to-take-some-responsibility-for-funding-the-post-2015-goals/, accessed July 22, 2014.

3 UNCTADstat, "Inward and outward foreign direct investment flows, annual, 1970-2012," http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=88

FIGURE 1.

ODA dominates where government resources are lowest, while FDI is more important for countries with higher government resources.



Source: Development Initiatives,"Investments to End Poverty," Figure 2.10. http://devinit.org/wp-content/uploads/2013/09/Invest- ments_to_End_Poverty_full_report.pdf, accessed July 22, 2014.

extremely poor live in sub-Saharan Africa[4]—a share expected to rise to 42 percent by 2015.[5]

External capital flowing to developing countries is heavily concentrated in 10 middle-income nations.[6] In fact, an average of 70 percent of all

4 World Bank, "The State of the Poor: Where Are the Poor and Where Are They Poorest?" http://www.worldbank.org/content/dam/Worldbank/document/State_of_the_poor_paper_April17.pdf, accessed July 22, 2014.

5 World Bank, "Global Monitoring Report 2013: Monitoring the MDGs," http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:23391146~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html, accessed July 22, 2014.

6 China, Russia Federation, Brazil, Turkey, India, Mexico, Indonesia, Argentina, Romania and Kazakhstan.

combined public and private finance to developing countries from 2001-2010 went to these top 10; by 2010, net capital inflows had increased by an average of almost 80 percent, compared to an increase of only 44 percent for all other developing countries.

Brazil, Russia, India and China—the BRICs—are major recipients of FDI, with receipts tripling over the past decade. Their share of overall foreign direct investment keeps rising, from 6 percent in 2000 to 20 percent in 2012, and as a group they account for almost 40 percent of the FDI into developing countries.[7] These nations are also coming into their own as private investors. Their outgoing foreign direct investment now makes up 9 percent of worldwide flows, up from 1 percent 10 years ago. While the aid community focuses on development cooperation with the BRICs and other South/South providers, limited attention is being paid to leveraging private investment from these countries for development purposes.[8]

While a majority of the world's extremely poor now live in middle-income countries, several analyses show that this share will substantially decrease over the next 15 years due to continued economic growth and productivity that will attract ever-increasing amounts of external investment. Their need for development assistance will diminish as these nations obtain adequate domestic resources for their own development. As countries make this transition, aid will still be important for facilitating more sophisticated financing arrangements, crowding in other resources and helping ensure that marginalized and vulnerable populations also benefit from this growth.

By contrast, official development assistance still comprises more than 70 percent of the financial flows into least-developed countries. These countries are among the least able to finance their own development. Official development assistance also plays a primary role in fragile states, which have weak governance, are in conflict or are just emerging from conflict. These are among the world's riskiest places for investment.

A majority of the extremely poor will likely live in fragile states by 2015, and as the extremely poor become increasingly concentrated in fragile states, it is likely that development assistance will as well. To successfully end extreme poverty in these difficult environments, we will need to increase the impact of this aid, as well as use it to crowd in and leverage other resources.

The United States is responding to this array of challenges. Our strategies in middle-income countries like India and Indonesia use aid for the following purposes: to support government investments in research and innovation, to strengthen the policy environment for private investment, to increase access to capital, and to ensure services for and inclusion of the poorest as economic activity and government resources continue to grow.

Since the commitment we made at the 2005 Gleneagles G-8 Summit, the portion of U.S. official development assistance to low-income countries has more than doubled, growing from 17.7 percent in 2005 to 39.6 percent in 2012. We achieved our Gleneagles commitment to double aid to sub-Saharan Africa a year ahead of schedule, increasing it from $4.34 billion in 2004 to $9 billion in 2009. That growth has been maintained, reaching $12.2 billion in 2012.

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7 Given $263 billion in FDI inflows to the BRICs in 2012 and $702 billion in FDI inflows to all developing countries in the same year, that works out to a percentage of 37.4 percent, or roughly 40 percent. This data was collected from the following UN Conference on Trade and Development (UNCTAD) documents: "Global Investment Trends Monitor," UNCTAD, http://unctad.org/en/PublicationsLibrary/webdiaeia2013d6_en.pdf, accessed July 21, 2014; UNCTADstat, "Inward and outward foreign direct investment flows, annual, 1970-2012," http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=88, accessed July 21, 2014.

8 A notable exception is China, whose state-owned enterprises often play a key role in their development cooperation.

But this sells the story short. We are acutely aware that, for every dollar of official U.S. aid spent in 2010, developing countries received $3 in remittances from migrants living in the United States, $5 in U.S. private capital flows and $1 in U.S. private philanthropy.[9] As developmental progress has brought us breathtakingly close to ending fundamental human indignities such as extreme poverty, hunger and preventable child deaths, success will depend upon our ability, and the ability of developing countries, to mobilize and optimize this full mix of resources—especially private investment. Therefore, the United States has increasingly focused on using aid to catalyze and leverage resources from the private sector and local governments while strengthening local systems.

A new type of partnership

USAID has been a leader in forging partnerships with the private sector for development impact. Over the past 12 years, the Agency has created over 1,500 public-private partnerships through its Global Development Alliance model, engaging more than 3,500 partners and leveraging more than $20 billion in public and private funds. But the scale of impact needed to achieve our post-2015 ambitions, and the opportunity offered by the explosive increase in private investment, has provided an impetus for newer, larger partnership platforms.

The New Alliance for Food Security and Nutrition is a good example. The New Alliance was launched at the 2012 G-8 Summit at Camp David with a goal of bringing 50 million people out of poverty over 10 years. It matches the political leadership and policy reforms of African governments with the financial assistance and technical expertise of major donors to encourage private investment that benefits smallholder farmers. The New Alliance currently includes 10 African governments and a collective commitment by African and international companies to $8 billion in agricultural investments, with $1.1 billion invested to date. These investments already have created nearly 37,000 jobs and together with the Grow Africa partnership have reached more than 3 million smallholder farmers.

This partnership demonstrates that public and private investments are best viewed as complements rather than substitutes. Development cooperation through the New Alliance is enabling countries to follow through on commitments to policy reforms and institutional strengthening and improve their ability to attract private investment. However, different modes of private financing have different purposes, and it's important to keep in mind that types and amounts of capital available for development, while growing, are not fungible. For example, we wouldn't expect public external investment to finance the sort of investments normally undertaken by the private sector.

Power Africa, launched by President Obama in 2013 to bring energy to 20 million people, brings this into sharp relief. The initiative takes a transactional approach to identifying why particular transactions might derail and to piecing together solutions that draw upon different modes of U.S. Government financing, including USAID grants and technical assistance, Overseas Private Investment Corporation and Development Credit Authority loans and loan guarantees, and Export-Import Bank financing. This approach is achieving early success in unlocking private investment at scale, as private sector partners have agreed to over $14 billion in commitments so far.

9 The Hudson Institute, "The Index of Global Philanthropy and Remittances: 2012," Table 1, pg. 8, http://www.hudson.org/content/researchattachments/attachment/1015/2012indexofglobalphilanthropyandremittances.pdf, accessed July 28, 2014.

Recognition of these modes' comparative advantages and opportunities is leading to innovations, new sets of tools and new financing approaches. Impact investing, for example, is growing dramatically—the Monitor Group estimates that it could mobilize $500 billion annually within 10 years—and generally targets regions and sectors not addressed by traditional foreign direct investment. USAID's Development Credit Authority, which uses partial risk guarantees to mobilize local financing in developing countries, took 11 years to open its first $2 billion in private capital and only two years for the next $1 billion. From cash-on-delivery approaches to nascent equity and mezzanine financing by public sector agencies, a growing array of mechanisms have become available.

The way forward

Better data will lead to better development. Unlocking the full potential of an increasingly sophisticated development financing landscape requires better visibility and data quality across the entire range of flows, both public and private. Quality data both provide a basis for innovation and increase our understanding about the effectiveness of mixing certain types of flows—and too many gaps in the data still exist.

Despite advances in statistics through efforts such as the International Aid Transparency Initiative, no organized collection of the activity of development finance institutions exists. Currently, measurements for philanthropic flows at the country level contrast heavily with those at the global level. Take, for example, data presenting 2003–2012 U.S.-based foundation giving to Ghana as 0.6 percent of official development assistance[10] while the Hudson Institute estimates $60 billion globally for a single year (2011). In addition, the commonly referenced dramatic growth of remittances has been recently called into question, with some experts chalking it up to an accounting change.[11]

To unleash the resources necessary to achieve our aspirations, data on financial resources and flows from all sectors and actors must be part of the post-2015 data revolution.

Strong domestic financial strategies and capabilities will pay dividends. Developing countries are eager to build their capacity for maximizing available financing options. According to the OECD, some projects have resulted in $170 in revenue for every $1 spent by donors to strengthen tax systems. Countries need assistance in providing their finance ministries with the capacity to independently develop financing strategies, and these strategies must optimize both the mix of financing resources and the ability to transition to increasingly sophisticated mechanisms as development occurs.

It is time we pay as much attention to a country's financial development strategies as we do to its sector- or project-specific strategies.

Partnerships must evolve, innovate and measure. Examples like the New Alliance and Power Africa highlight the promise of large-scale partnership platforms in helping us achieve outcomes at a significant scale. We will benefit from the continued development of partnership models that engage companies where commercial interests overlap with development needs, create policy environments that support growing private

10 OECD working draft, "The New Development Finance Landscape: Developing Countries' Perspective," pg. 55, http://www.oecd.org/dac/aid-architecture/The%20New%20Development%20Finance%20Landscape_19%20June%202014.pdf, accessed July 22, 2014.

11 Michael A. Clemens and David McKenzie, "Why Don't Remittances Appear to Affect Growth," GCDEV White Paper, http://www.cgdev.org/sites/default/files/why-dont-remittances-affect-growth_0.pdf, accessed July 21, 2014.

investment, identify market-based solutions that improve access and alleviate long-term poverty, and strengthen partner governments' ability to increase private investment and economic activity.

The growing size and importance of non-Development Assistance Committee donors, both for public and private investment, begs for their inclusion in such partnerships. At the same time, we must hold ourselves to rigorous standards and measures of outcomes and cost-effectiveness. How do we know when the transaction costs of creating a collective effort, like the New Alliance, are worth it? How will we measure the effect of a program like Power Africa on the extreme poverty in partner countries?

Innovative financing frameworks for fragile states deserve special attention. The anticipated concentration of the extremely poor in fragile states poses a significant challenge to the providers of external public investment. Aid in these countries must become more nimble, integrated and balanced in its risk-taking.

We need a better understanding of how to best deploy highly concessional finance—which is what fragile states need, since they have the least ability to self-finance or access capital—to position countries on the path toward other sources of capital. Better integration of humanitarian and development resources, which USAID has pursued through its resilience agenda, is a promising start. We also must seek new forms of partnership that stimulate private investment in these environments and facilitate market-based solutions that impact the extremely poor.

A USAID Development Credit Authority loan helped catalyze private investment for a new ferry in Kalangala, Uganda. Sseggujja Gerald runs a hardware shop in Kalangala and can now rely on the ferry for regular supply shipments to his shop. USAID has been a leader in private sector partnerships for development impact. PHOTO: BOBBY NEPTUNE

These financing evolutions are not enough to achieve our ambitious post-2015 agenda. Trade, technology, control of illicit flows leaving countries, investments in research and innovation, and coherence among different policy tools all will play an important role in our success. At the same time, maximizing the expanding palette of financing choices and activities is critical to unlocking the scale of resources necessary to achieve our aspirations—financing an end for the first time in history to the indignities of extreme poverty, hunger, and child and maternal deaths. That would be truly revolutionary.

***Tony Pipa** is the international policy adviser to the administrator and deputy assistant to the administrator in USAID's Bureau of Policy, Planning and Learning. The views expressed in this essay are his own and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*

"...The United States will join with our allies to eradicate such extreme poverty in the next two decades by connecting more people to the global economy; by empowering women; by giving our young and brightest minds new opportunities to serve, and helping communities to feed, and power, and educate themselves; by saving the world's children from preventable deaths; and by realizing the promise of an AIDS free generation, which is within our reach."

PRESIDENT BARACK OBAMA, 2013 STATE OF THE UNION ADDRESS

PHOTO: TONY KARUMBA / AFP