

- “Give a man a fish and he will eat for a day.
Teach a man to fish and he will eat for a lifetime.”
- “A complete waste of money that succeeds
primarily at keeping Westerners employed.”



USAID and the footwear industry

James Parchman

These two quotes are at the heart of the debate over the use of taxpayers' money by governments and non-governmental organisations (NGO's) for the purpose of foreign aid. The first is widely attributed to Chinese philosopher Confucius, and while its origin and actual wording is debated, its well-meaning intent has made it the motto of foreign aid proponents worldwide. The second is by author and former development worker Michael Maren, who has spent much of his adult life working in and writing about poor countries and how quickly the best intentions become grand failures when met with the reality of developing nations with less than altruistic leaders.

Donor-financed projects targeted to improve promising industries and the economic growth prospects of poor countries are regularly undertaken by a multitude of international development organisations. 23 member countries comprise the Development Co-operation Directorate (DAC) of the Paris-based, Organization for Economic Co-operation and Development (OECD), the major development assistance provider to the world's poorest nations. Their 30+ individual development organisations implemented Official Development Assistance (ODA) of approximately \$105 billion in 2005, up over 30% on the previous year.

The largest individual donor organisation is The United States Agency for International Development (USAID). Best known for its primary role as a provider of humanitarian aid, USAID expends billions of US taxpayers' dollars propagating free market ideals, improving healthcare and spurring economic growth in developing nations. But, is such foreign donor-funded intervention really the best way to develop a labour-intensive industry such as footwear manufacture in sometimes primitive and hostile conditions? And, does an open and receptive American market await the resulting Third World products? Finally, could a change to a strategy combining donor finance with industry-led implementation achieve more sustainable results?

BACKGROUND

An agency of the US State Department, USAID was established in 1961 as America separated its military and non-military foreign assistance efforts. For 45 years it enjoyed a mostly autonomous relationship within the American government, focusing on individual country intervention, and was deemed to be fiercely apolitical. In 2006, a major sea change occurred as US Secretary of State Condoleezza Rice implemented an agency-wide reorganisation aimed at more effective use of development

Figure 1: USAID 2007 strategic funding goals

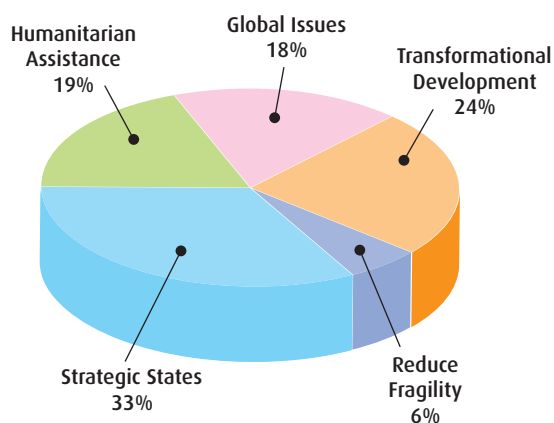
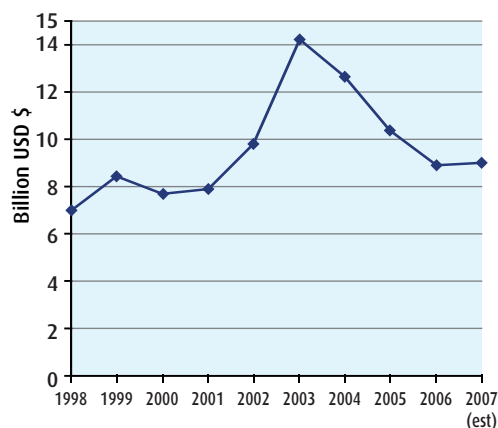


Figure 2: USAID total budget 1998-2007



assistance in meeting America's foreign policy objectives. Today's policy now mirrors reality more closely in how donor nations allocate foreign assistance.

USAID's budget for 2007 is \$9 billion to be distributed based on five parameters contained in the agency's Strategic Funding Goals (Figure 1). After years of steadily increasing budgets, the 2007 plan reduces expenditure to approximately the level of 2002 (Figure 2). In 2006, Africa received the largest percentage funding, followed by Asia and the Near East (Figure 3). Afghanistan received the greatest individual amount of country assistance, followed by Egypt and Pakistan (Figure 4).

The 80 or so USAID overseas missions operate on a decentralised basis based on budget, strategic funding goals and country/regional specific laws passed by the US Congress. Each is tasked with identifying development needs in the host country and providing assistance under categories as diverse as democracy & governance, education, humanitarian assistance, agriculture, economic growth, etc. Considerable ingenuity is employed in fitting favoured programmes under specific categories, so footwear might fall under agriculture in one country, economic growth in another and education in a third. This makes the identification and evaluation of total sector specific efforts most difficult.

WORKINGS

A major impediment to results occurs because a mission's staff—small in number and with little experience outside government service—tends to outsource the process of programme definition and implementation to outside consultants via competitive bidding. While this ensures transparency, it frequently results in pre-packaged solutions to insufficiently understood problems.

These consulting companies, sometimes referred to as 'Beltway Bandits' due to their location on the motorway encircling Washington DC, are increasingly staffed with former USAID employees. They therefore understand the workings of government bidding and billing regulations and, while competing for contracts one day, they may form partnerships the next—even politically-favoured local organisations—all with the

Domestic trade fairs are considered important



single goal of a percentage of the contract in a cost-plus based industry.

With the USAID mission's broad development goals defined by the first consultant's report and the implementation process set out by the second, the focus of local staff is project management activities and is more attuned to overseeing the budget rather than wading into complicated issues that the corresponding category title would suggest.

The upshot is a proclivity of big picture events, producing publicity and consuming funds, but of marginal value in identifying and nurturing young entrepreneurs, hungry for knowledge and an opportunity to become the next Bill Gates. It is this process that has caused Maren's comment to contain more than a hint of truth and the same symptoms seem to have found their way into the global industry of international development, irrespective of the country or the ill it aims to cure.

Fortunately, there is also a positive side to foreign assistance efforts and many success stories have resulted from USAID assistance efforts in the footwear sector, ranging in size from assistance to local artisans to reinvigorating the export potential of an entire country.

Figure 3: USAID expenditure by region 2006

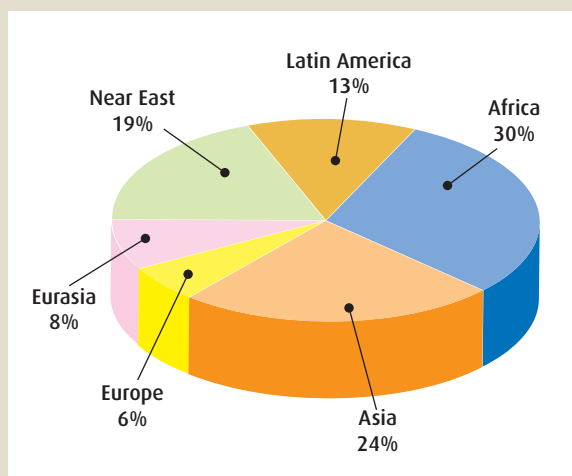
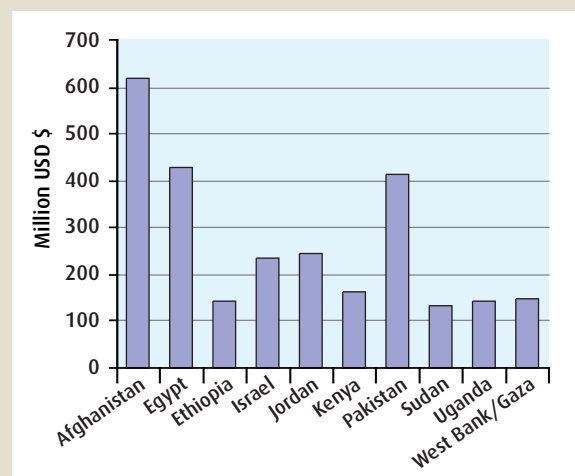


Figure 4: USAID top ten recipients 2006



Workers in an Albanian shoe factory



POSITIVES

Eastern Europe has been an area of major USAID involvement. The large footwear industry that developed during Communist rule, earning foreign currency and satisfying domestic needs, quickly fell on hard times as the Communist bloc crumbled. Former state-owned footwear companies were also often the largest employers in many cities and their demise put thousands of people on the street.

Albania is a case in point. An initial USAID assessment showed that the footwear industry had the potential to be internationally competitive and to create jobs for Albanians. The resulting assistance has included cataloguing the industry via print and electronic media, domestic trade fairs and market assessments, foreign marketing campaigns, international publicity efforts and the cross-project involvement of multi-national organisations such as the World Bank and the United Nations, to leverage funding. While Albania's normal trade is and will continue to be more European than American focused, this has not been a factor for future assistance. The goal of this and other USAID work in the country is to assist and contribute to sustained economic growth and poverty reduction.

The former Yugoslavian Republic of Macedonia in Eastern Europe is a further example. Here, a once thriving footwear industry became uncompetitive due to outdated equipment and production methods. Initial analysis showed potential for a revival. In a unique approach, USAID's e-BIZ project has co-invested in and supports ModEur, a fee-for-service operation offering CAD/CAM services to local footwear manufacturers via centres in Skopje and Kumanovo. ModEur now works with over half of Macedonia's footwear companies and at least 1,000 jobs have been created as a result of their increased capabilities.

Not far from Macedonia, Serbia is also a recipient of USAID assistance to its footwear manufacturing industry. The former state-owned SARA Shoes operation has been privatised and USAID is assisting the new owners in sponsoring an apprentice-training programme. In the town of Vladimirci, the project is sponsoring the footwear industry association that provides skills training for the town's small producers and also purchases production machinery for co-operative use.

In Asia, USAID has also assisted the footwear industry in Bangladesh via an ongoing programme which has been running

for a number of years and has evolved from a small artisan assistance project to one which has become more industry-focused and includes significant process improvement and export marketing support.

US RELATIONSHIPS

Most of the countries in which USAID has sponsored leather product related efforts are not traditional suppliers of footwear to the USA, although a recent project in the Dominican Republic was an exception. This addressed the competitiveness of the local footwear industry and assisted companies and the government in addressing areas such as infrastructure and logistics, where cost savings were possible and processing times could be improved.

USAID has also played an assistance role in many countries that have signed free trade agreements with the USA. The first was with Israel and, with the expansion of its coverage to include West-Bank/Gaza, this large USAID programme provided information as to how the local manufacturing companies could take advantage of duty-free access as a competitive advantage. The potential for co-operation and success seemed possible until local hostilities made the necessary company interaction too difficult to continue.

Much of Africa has been included in a free trade area through the Clinton administration's African Growth and Opportunity Act. USAID promoted the potential of duty-free access to American markets and, in the footwear industry, work was done to investigate countries that might have footwear production capabilities that would be of interest to American buyers. Much of the interest in Ethiopia derived from these efforts.

A separate free trade agreement with Morocco has recently been enacted and USAID has begun an assistance programme to producers which holds future promise. Similar free trade agreements which are country-specific or regionally-based are occurring more frequently and USAID plays a dual role by promoting the opportunities of this legislation and then preparing local companies in understanding the requirements of the American market and assisting in their marketing efforts. In this manner, the USA seems to positively answer the question posed in the opening paragraph concerning the availability of an open and receptive market.

INDUSTRY INVOLVEMENT

And finally, the question of a rethinking of the development process to incorporate more industry involvement in order to achieve more lasting results is one that is debated across the foreign aid spectrum. While many countries manage their foreign aid processes in ways that meet home country needs, the decentralisation, arcane working relationships and increasing involvement by issue-focused pressure groups does not bode well for a more market-based approach to either strategy formulation or project implementation. USAID's logo of a helping handshake with the words 'From the American People', says much about the organisation and its primary focus will most likely be to remain as a distributor of largesse to the world's most needy. 🌐

James Parchman has worked in the footwear industry for over 30 years and participated in numerous international development projects sponsored by USAID, the United Nations and other organisations.