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Inter-American Foundation

An Independent Agency of the U.S. Government

FOIA IAF-2016-005

March 29, 2016

Via email

This letter is in response to your Freedom of Information Act (FOIA) email inquiry, received on February 17, 2016. In that email you submitted the following request, which I quote in its entirety:

Pursuant to the provisions of the Freedom of Information Act, I respectfully request a copy of the meeting minutes for the IAF during the time period January 1, 2009 through December 31, 2010.

In response to your FOIA request, attached please find one responsive document of 132 pages being released in full. There is no fee associated with this request.

Please let me know if you have any questions, and thank you for your patience.

Regards,

Paul M. Zimmerman
General Counsel

Minutes of the Meeting of the Board of Directors
Inter-American Foundation
April 27, 2009

The Board of Directors of the Inter-American Foundation (IAF) met at 901 N. Stuart Street, Arlington, Virginia, on April 27, 2009. Board Members present were John P. Salazar, Chairman; Thomas Dodd, Vice Chair; Thomas Shannon, Member; Jack Vaughn, Member; and Roger Wallace, Member. IAF staff members in attendance were Larry Palmer, President; Linda B. Kolko, Vice President for Operations; Jennifer Hodges, General Counsel; Judith Morrison, Regional Director for South America and Caribbean; Jill Wheeler, Regional Director for Central America and Mexico; Emilia Rodriguez-Stein, Director for Evaluation; Seth Jesse, Representative for El Salvador; and Cindy Soto, Executive Assistant.

Call to Order

The Chairman called the meeting to order at 9:00 a.m.

Chairman Salazar began by thanking Mr. Wallace and Mr. Vaughn for their service as Chair and Vice Chair of the Board of Directors, respectively.

Approval of Minutes

Vice President for Operations Linda Kolko requested a correction to the minutes of the December 15, 2008, Board of Directors meeting. On Page 1, the second paragraph of the President's Report should read "total funding of \$17.1 *million*" [emphasis added].

Board Member Roger Wallace requested a correction on Page 4. The first sentence in the second full paragraph should read "but need larger US corporate foundations and non-corporate foundations".

The amended minutes were unanimously approved.

Chairman Salazar highlighted several follow-up items from the December 15, 2008, meeting minutes.

Chairman Salazar asked for an update on FUNDEMEX.

Chairman Salazar said Amb. Dodd had mentioned the possibility of partnering with Partners of the Americas (POA) and Amb. Palmer had noted the IAF has a great connection there with President and CEO Stephen Vetter. Ms. Morrison noted Mr. Vetter participated in the panel for IAF and RedEAmérica at the VI Inter-American Conference on CSR in Colombia in December 2008. Ms. Kolko said POA is a great organization. However, it has lost its core funding from USAID and they have met with us in the past seeking additional funding. Chairman Salazar agreed we do not need to encourage groups that need money; we need to find people who want to help us. Ms. Kolko said

POA has a great network throughout the region and some of its partner organizations have applied for and received grants from the IAF.

Chairman Salazar asked Ms. Morrison about the status of working with Monterrey Tech to create a virtual RedEAmérica training module.

Chairman Salazar asked Ms. Wheeler about the North American Development Bank.

Chairman Salazar asked Ms. Hodges about the status of the Foreign Assistance Act reform. At the last Board meeting, we had some discussion about how to position the IAF. Mr. Wallace later circulated an article, *Foreign Aid: What Works and What Doesn't*, by Nicholas Eberstadt and Carol C. Adelman; Development Policy Outlook, AEI Online; October 27, 2008. Ms. Hodges agreed that those types of articles have been very helpful to us, for example, in preparing the Congressional Budget Justification. It is not about revamping what the IAF does, but how we talk about what we do.

Chairman Salazar asked Ms. Hodges about the Social Investment and Economic Development Fund for the Americas. Ms. Hodges said it has not been reintroduced in the 111th Congress.

Chairman Salazar asked about the status of the agency white paper.

Chairman Salazar asked Ms. Kolko about updating the IAF logo and a new tagline.

Chairman Salazar asked if there were any developments on Advisory Council Member Wendy Paulson's question if there was a systematic way for the IAF to be included in CODELS.

Chairman Salazar highlighted items that were discussed at the December 15, 2008, Advisory Council meeting. Advisory Council Member Anita Perez Ferguson mentioned a New York Times editorial about Latin America and the new Administration. She had suggested it was a prime time for the IAF to submit a letter or op-ed, from the IAF Board Chair or President, about its accomplishments. Ms. Hodges said we considered and discussed it, and unfortunately did not feel that there was an appropriate, attention-grabbing IAF response at that point. Ms. Kolko said it would be difficult to get something published from the head of an agency; perhaps it could come from somebody else.

Chairman Salazar said Ms. Perez Ferguson also suggested a special resolution in the House about the IAF's 40th anniversary. Ms. Hodges said we are working on that and further details will be provided in the Congressional Affairs update.

Mr. Wallace mentioned two follow-up items from the December 15, 2008, Board meeting. He asked for the status of Mais Unidos and FIRJAN, the Federation of Industries of the State of Rio de Janeiro. Mr. Wallace also noted the discussion about how the IAF might end up moving some of our grantees into the carbon sequestration

movement. He asked whether there was a point person on the topic, which could ultimately be a significant revenue stream for our grantees.

President's Report

Amb. Palmer said it has been quite a dynamic period since the last meeting in December 2008. Much has happened domestically and internationally. One of the most significant events was the Fifth Summit of the Americas in Trinidad & Tobago. Amb. Palmer attended the Private Sector Forum. Ms. Morrison worked closely with Forum Empresa, based in Chile, which was instrumental in organizing a workshop on public-private partnerships and corporate social responsibility.

Ms. Kolko said over the past five years, in collaboration with the US Mission to the OAS and the Summit Secretariat, the IAF has been sponsoring the participation of civil society in the Summit process. The IAF supported African descendants and persons with disabilities to attend the Civil Society Forum this year. Ms. Kolko noted that when she attended the OAS General Assembly in Colombia in June 2008, 16 ambassadors acknowledged the importance of combating racism and working to improve the quality of life for persons with disabilities. The civil society organizations are negotiating with their own governments, like we do in the US, and we can be proud of supporting civil society which State Department also feels is very important.

Amb. Palmer emphasized that the IAF supported both civil society and the corporate sector at the Summit. A number of CEOs attended the Private Sector Forum. One message that came through was that the corporations, even though they understand finances are tight, said they wanted to keep the corporate sector involved in their social responsibilities.

The keynote speaker of the session, "Recommendations for Public/Private Partnerships Summit Implementation", was scheduled to be the President Martín Torrijos of Panama. However, he could not make it and was replaced by US Secretary of Labor Hilda Solis. Amb. Palmer had a chance to talk with Secretary Solis, who was supportive of the IAF when she was on the Hill. Ms. Hodges added that Secretary Solis was the co-sponsor of our Dear Colleague letter in recent years. Amb. Palmer said Secretary Solis remembered the IAF and what we do. She said if there was anything she could do to help from where she is now, she would be happy to do it. Ms. Hodges noted that Secretary Solis took to her new post her former legislative director, Megan Uzell, with whom we have a great relationship.

Amb. Palmer met with the president and the executive body of Forum Empresa, based in Chile. Ms. Morrison explained that Empresa is a network that targets CEOs in the private sector. A number of RedEAmérica members are involved with Empresa directly. Empresa is looking at pushing CEOs to get more engaged, not just in the Summit process, but in development as a whole. They are looking at democratic practice and corporate social responsibility more broadly, and they see the connection with the IAF as being important for them as they move forward. In light of the economic crisis, this was

an important opportunity to talk about the private sector role and engagement with heads of state and important dignitaries who were participating in the Summit. We are hoping for follow-up opportunities to deepen the relationship among Empresa, IAF, and RedEAmérica members. The Private Sector Forum was an opportunity for the private sector to say they are present, involved and they are going to be actors in improving the economic situation and the social conditions of Latin America.

Mr. Wallace asked if there was a list of the private sector participants. Ms. Morrison said she would provide the list to the Board. She noted that there were not quite as many CEOs as they had originally anticipated because of logistical complications. Mr. Wallace said it would be interesting to have the tentative list because that would indicate interest, even if their participation might have been trumped by logistics.

Amb. Palmer asked Ms. Wheeler to provide an update on Fundación del Empresariado en México (FUNDEMEX). Ms. Wheeler said the FUNDEMEX agreement is moving forward and getting closer to finalization. FUNDEMEX is the national association of business people in Mexico. They are building on the Fundación del Empresariado Chihuahuense (FECHAC) community foundation model, where they collect donations throughout the country when businesses file their quarterly taxes. The businesses can opt to give a donation to this national organization that does subgrants. They send about 80 percent of the donations back to the sending states and reserve 20 percent to send to the poorest regions, mainly Oaxaca, Guerrero and Chiapas.

There are two main programs. One is subgrants to small organizations for income-generating productive projects, mostly agriculture and small business. They also run job training and scholarship programs, which the IAF will not be involved in. We are working on a matching subgrant agreement where the bulk of the IAF funding would go to the subgrants for income generating projects, with FUNDEMEX contributing their own funds and raising additional funds from other RedEAmérica partners in Mexico and engaging new partners to match our funds by at least two-to-one in this grant agreement, and hopefully even more. They are looking at fundraising from very large corporations in Mexico.

In January Ms. Wheeler and Gabriela Boyer, one of the new Mexico representatives, met with FUNDEMEX in Mexico City to work on the details of the agreement. They visited some of the subgrants in the field and were impressed by the way they were managed. Ms. Wheeler had earlier participated in observing their selection committee. Now we are working out some of the details such as membership on the selection committee and the selection criteria. We are hoping to get the agreement finalized to be included with this fiscal year's new grants.

Mr. Wallace asked about the final size of the grant. Ms. Wheeler said the initial IAF contribution is \$350,000. FUNDEMEX would match over a million dollars for the first couple of years. We were originally considering a larger number, but the more we got into the details one issue was their existing staff capacity and the time it would take them to scale up and manage larger amounts of funding. In addition, with the economic crisis

they were starting to be a little more hesitant about how much they thought they could commit from their corporate partners. At this point they have a contribution from FEMSA Foundation of over \$100,000 committed for the first year of the project and hopefully they will renew that in the second year. There would be an interest in continuing to grow and expand the program.

Amb. Palmer said this particular grant represents a new model to RedEAmérica. We used a new budget construct. These are all income-generating projects. It will be a new model for us and we are following it closely.

Chairman Salazar said he was pleased to hear the field visit indicated they seem to be doing what they say they are doing. Ms. Wheeler agreed and said the purpose of the visit was to understand more clearly how their selection and monitoring process works. The idea is that the groups that receive subgrants through the fund may eventually scale up and apply for a full IAF grant, so it helps to create a pipeline of proposals for the future.

Mr. Wallace asked if the IAF is going to participate in the review of the subgrantees. Ms. Wheeler said the IAF will participate, but the details are still to be defined. We are discussing the possibility of having a couple of staff members on the review committee that meets about twice a year to review the paper proposals.

Continuing with his report, Amb. Palmer said we are moving along with plans for the IAF's 40th anniversary. Ms. Kolko mentioned we are putting together a 40-year photo retrospective of IAF projects to display at universities. Ms. Hodges has been working with Advisory Council Member Georgette Dorn to display the exhibit at the Library of Congress (LOC). Ms. Hodges noted there were some complications working with the LOC. For example, there is a legislative requirement that the LOC own the materials they exhibit. While we can donate the materials to them, there also are spacing issues. We currently are looking at the Hispanic Reading Room.

Chairman Salazar asked about the possibility of hosting the exhibit at the University of Texas at El Paso (UTEP). Ms. Kolko said Advisory Council Member Diana Natalicio has a potential date in September. Ms. Wheeler and Public Affairs Specialist Mark Caicedo are working on that venue.

Ms. Kolko mentioned Advisory Council Member Kathryn Hochstetler was interested in hosting the exhibit. Although Dr. Hochstetler is moving to Canada, she is following up with her colleagues at the University of New Mexico.

Ms. Kolko has been in touch with Advisory Council Member Rita DiMartino about the work we have done in collaboration with groups in New York. Ms. DiMartino has communicated with individuals at the City University of New York, and we may host some activities in New York.

Ms. Kolko said we have had some initial discussions with the Smithsonian National Museum of the American Indian (NMAI) to host a public exhibit on arts and crafts and

musicians from some of our indigenous projects. NMAI is doing a program in the fall and we have discussed the possibility of sponsoring some of our grantees to participate. The NMAI space is ideal because of its large atrium area and the number of people that visit. We have also met with representatives of the Smithsonian National Museum of African American History and Culture (NMAAHC) who are interested in working with us on a public event. We were hoping to do something with the two museums together, and we are in the beginning discussions of that.

Ms. Kolko said the IAF legislation was signed December 30, 1969, so we have time to celebrate the anniversary. We will probably have activities in the fall. Ms. Kolko emphasized the importance of holding public events in Washington, DC that will attract as many people as possible.

Ms. Hodges responded to Chairman Salazar's question about the Congressional resolution in conjunction with the 40th anniversary. We have several potential co-sponsors lined up. Their thoughts were to have the resolution coincide with the anniversary date, which would be late fall or early the next session. We are optimistic that Congress will agree to a resolution.

Mr. Wallace asked if there are plans to organize events specifically focused on Congress to try to raise our visibility. Ms. Hodges mentioned we have a new Congressional Affairs Specialist who brings in-house expertise on hosting the Congressional dinners that some Board members have had the opportunity to attend. We have also talked about putting together a subcommittee working group that is a spin-off of the Inter-American Dialogue's group, focused on grassroots development and not just Latin America at large.

Mr. Wallace said it would be ideal to host the event at the LOC and invite Congress. Ms. Hodges agreed that if we have a reception there, it is our intent to invite them. Chairman Salazar said we can send invitations to Congressional Members, telling them about the IAF and seeing how many we can get to attend.

Chairman Salazar asked for other suggestions if we cannot get the LOC. Mr. Wallace mentioned the Capitol Visitor Center; he understands that private organizations can utilize these rooms.

Ms. Hodges said if we hold a reception, we should have some type of recognition for individuals who have been supportive of development efforts over the years. We might want to consider a Republican and a Democrat, from the Senate and House. Mr. Wallace agreed that the recognition is a good idea.

Ms. Hodges said perhaps we could also hold a working Congressional dinner focused on foreign assistance, which can be beneficial because sometimes as many as 10 to 15 Members attend. The participants can have a conversation and we get to hear their ideas and offer what we are doing in a way that is different than meeting with their staff.

Mr. Wallace said it does not have to be either a reception or a dinner. Ms. Hodges agreed. She noted these are just some of the possibilities to facilitate interest in the work of the IAF.

Ms. Kolko said we have set aside resources for the Congressional dinners.

Ms. Hodges emphasized that the challenge is not in getting a space, but having the interest so that we have at least a few Congressional Members in the room.

Chairman Salazar asked if we were considering two separate events: a reception for a large Congressional group; and a dinner with a targeted group. Ms. Hodges said she did not want to oversell the reality of a reception filled with numerous Congressional Members but stated that we are working towards hosting a reception for a wider DC audience that is focused on the IAF's work over 40 years, and anticipate attendance by both Congressional Members and staff that work closely with the IAF.

Chairman Salazar asked how the Board can help. He said he could get the New Mexico delegation to attend. He also mentioned the Congressional Hispanic Caucus. Perhaps Amb. Dodd could get the Connecticut delegation; Mr. Vaughn and Mr. Wallace could get the Texas delegation. Chairman Salazar said we could try to get 20 Congressional Members to attend a reception.

Mr. Wallace suggested this is where the Advisory Council can help.

Chairman Salazar asked who we could get to attend the Congressional dinner. Ms. Hodges said we would probably do something jointly with the Inter-American Dialogue. She mentioned Congressman Eliot Engel, Chairman of the Subcommittee on the Western Hemisphere, as a potential participant. Ms. Hodges also suggested Senator Christopher Dodd and Congresswoman Ileana Ros-Lehtinen, Ranking Member, House Committee on Foreign Affairs as other possible options.

Ms. Hodges said there are other Congressional dinners under consideration. Part of the challenge of the dinners is finding topics that are current and that Members are discussing. Ms. Hodges cautioned against overselling the ease of pulling together a dinner solely based on interest in the IAF. Ms. Hodges said the 40th anniversary is a great occasion to try to market and sell ourselves and get some visibility in a variety of ways, not just through a dinner.

Ms. Hodges said she was mindful that there are many other things going on in the region. For example, Cuba is of huge interest to everyone on the Hill and otherwise. It is, however, a lightning rod issue. From the Congressional perspective, it is important for us to hear the positions of the assorted players, and perhaps why they are approaching it from a certain perspective and how strongly they feel.

Amb. Palmer highlighted a previous comment about people-to-people. Amb. Palmer had the opportunity to speak with IAF Board Member and Assistant Secretary of State for

Western Hemisphere Affairs (A/S) Thomas Shannon about Cuba. A/S Shannon said they were putting together a briefing for the new Secretary of State and Cuba will be a part of it. A/S Shannon asked Amb. Palmer what he thought about maybe the IAF operating in Cuba. Amb. Palmer said it is something that has come up several times, but for one reason or another we just did not bring it up because it was such a lightning rod issue.

Amb. Palmer also spoke with Amb. Hector Morales, who mentioned Cuba in light of his briefing for the Secretary of State. Amb. Palmer had a conversation with Amb. Jeffrey Davidow who said the IAF should probably have something prepared in the event that State Department asks for our Cuba plan. Amb. Palmer said we are in the process of beginning to think about that.

Mr. Wallace asked who could help us look at civil society in Cuba. He thinks the challenge will be finding grantees that are not government grantees. Mr. Wallace asked if we have a clear understanding of the shape of civil society, because the worst thing for us to do would be to say we are going to do something and then not be able to carry it out because there is no infrastructure or appropriate partners to work with.

Amb. Palmer said he was trying to set up a luncheon with Amb. Vicki Huddleston. She was formerly Chief of the American Interests section in Cuba. From what Amb. Palmer is hearing, Amb. Huddleston has been instrumental in putting together the Administration's new Cuba policy.

Mr. Wallace suggested we need to do a lot of research. We might want to move in this direction, but it may not be the right time. Amb. Palmer stressed we have not moved on this; we did not yet want to identify ourselves as being a player in this process.

Ms. Hodges stressed this is all very early conversation. Strategically, the value of us having this conversation with respect to Cuba is because there is such profound interest in the topic. We may never do anything with respect to it, but the mere fact that we are in the room as these conversations are being held, and there is at least a consideration of the pros and cons of this US asset versus others, is a valuable exercise for us. Although they may not choose to use the IAF with respect to Cuba, maybe it makes the point with respect to Bolivia even more strongly as to how we are able to operate in some of these areas with strained diplomatic relations.

Ms. Hodges said she would be interested in the Board's thoughts with respect to Cuba. Guidance and cautionary tales from the Board are a valuable contribution.

Chairman Salazar said from what he heard Ms. Hodges saying, the IAF should be thinking about how we contribute to Cuba; we want to be in a position to be helpful if and when we are called upon. Ms. Hodges agreed, and noted part of being available is having a game plan ready if called upon. Amb. Palmer said in terms of what we will do if asked, we will do what we have always done: people-to-people, grassroots, and bottom-up.

Mr. Vaughn asked about the status of any policy or legislation regarding Cuba right now. Ms. Hodges mentioned the FY09 spending bill that included the lessening of the restrictions to Cuba in terms of travel, remittances and telecom.

Ms. Morrison noted that the Canadians are working in Cuba and they are beginning to push more development assistance in Cuba. Amb. Palmer said maybe we could take that up with Carlo Dade, Executive Director of Canadian Foundation for the Americas.

Ms. Morrison said the Canadian International Development Agency (CIDA) has Cuba program officers. She was pitched the idea of potentially doing a short term government-to-government exchange if we were interested in learning more about how CIDA approaches Cuba. Ms. Morrison emphasized it is not something that we are pursuing in any way, and there can be more discussion about it.

Mr. Wallace mentioned David Malone, President of Canada's International Development Research Centre. They have a \$150 million annual budget to do development research and Mr. Malone is someone who could point us in the right direction. Amb. Palmer said we should certainly look at it.

Amb. Palmer said we have been working with James Early, Director of Cultural Heritage Policy at the Smithsonian Center for Folklife and Heritage. We are thinking about engaging through cultural activities and cultural preservation, something less inclined to be seen as political. Dr. Early has contacts in the Cuba interest section. We told Dr. Early we want to slow down on any partnering activities until such time as we know exactly if we want to take a step, and then in what direction we wanted to take it.

Chairman Salazar emphasized he would like to hear about the progress on both the reception and dinner. Ms. Hodges said much will depend on Congressional schedules. Ms. Kolko said we have the resources, but the challenge is getting Members to attend.

Amb. Dodd asked about the time frame for the Congressional events because schedules tend to fill up months in advance. Ms. Hodges said it would probably be in the October time frame.

Mr. Vaughn asked about the budget for these events. Ms. Hodges said for some types of events we have more flexibility when they are programmatic in nature. For the reception, however, the maximum budget would be \$3,000, but that would be only if we do not incur any additional representational expenses throughout the remainder of the fiscal year.

Amb. Palmer finished his report by highlighting his attendance at the fellowship program mid-year conference in Ecuador in February. Amb. Palmer said we would like to involve some of our Board members in future conferences; perhaps Amb. Dodd could participate next year.

Congressional Affairs Update

Ms. Hodges provided updates on the items Chairman Salazar highlighted from the December Board meeting minutes.

Right now other issues have trumped the conversation with respect to foreign assistance reform. Congressman Howard Berman, Chairman of the Foreign Affairs Committee, would like to see a bill come to the Committee by the end of this year although there are some discussions that it may be pushed to the next session of this Congress. It is not a hot burner issue just because other issues are taking precedence.

Right now on the Hill there is discussion about the division of labor in carrying out US foreign affairs. The discussion has centered on the amount of development being conducted by the Department of Defense, particularly in non-permissive environments, but also in permissive environments which would encompass much of Latin America. There is a big conversation about Africa because the Defense Department set up US Africa Command (AFRICOM) which has been quite controversial in some circles. Many of the hearings that have been held by the subcommittee, the full committee, and the appropriations committees have had to do with the increasing responsibilities Defense has taken on. The conversation is framed in terms of a 3-D approach: Defense, Diplomacy and Development. The IAF is a part of the conversation on development. There really is a distinction between the development and the diplomacy areas. Congress is talking about this being a three-legged stool and each one of those legs must have the right resources to be able to carry out their mission.

Ms. Hodges said we have had new Congressional Members put in requests for the IAF, such as Congressman Vic Snyder from Arkansas. Ms. Hodges reiterated that we will respond to questions and provide input into the Foreign Assistance Reform discussion as opportunities present themselves.

With respect to CODELS, Ms. Hodges noted there is a Congressional staff delegation to Honduras at the end of May to visit IAF projects.

Amb. Palmer said he recently spoke with Amb. Michael Polt, Assistant Secretary of State for Legislative Affairs. They discussed the IAF and how we would like to piggy back on CODELS. The Bureau of Western Hemisphere Affairs at State Department has a Congressional liaison office and we can put our new Congressional Affairs specialist in touch with them. State Department can advise us of every CODEL that comes through the region. Amb. Palmer said we are going to try to set that up and institutionalize it.

Ms. Kolko noted she has been at the IAF about 18 years and has never seen the IAF so involved in Congressional Member or Congressional staff delegations until the last couple of years, with Ms. Hodges' work on the Hill and Amb. Palmer's contacts at State Department.

Ms. Hodges said a lot depends on the Congressional offices themselves. We have good relationships with key individuals of many Congressional offices that have particular

interests in Latin America, whether in general, thematic, or by country. We have become a resource, and sometimes they can build the IAF in to the schedule.

Ms. Hodges cautioned against having an unrealistic expectation with respect to every CODEL that goes to the region. It is unrealistic to even be able to provide a targeted fact sheet on our projects in a particular country for every CODEL to the region, as many are unrelated to our work.

Amb. Palmer said that if we are advised of the visits, we can choose where the IAF has a good, substantive program. Ms. Hodges noted we often times do not get to pick where and what they are seeing. They give us the direction and if we have something that can accommodate them, then that is how the visits occur. Amb. Palmer noted they usually work with the Embassies to organize their trip agenda.

Chairman Salazar thanked Ms. Kolko for the historical perspective. Chairman Salazar said it sounds like there are a lot of CODELS going down to Latin America, which is good for us even if we are not plugged in to all of them. Ms. Hodges agreed, and said we try to provide information on what we have before the trip, or when they return we can provide additional information.

Mr. Wallace said having Congressional Members and staff visit IAF projects is the best tool to make allies on the Hill. Mr. Wallace agreed with Chairman Salazar's point about systematizing it. We would have the ability to see every CODEL that is going down and, at a minimum, we can send them a briefing paper before or after the trip. Perhaps we can look at the makeup of the CODELS and if there are some people that are particularly critical to us, then we can try to make an effort to make sure that one or two good IAF projects are highlighted.

Ms. Hodges turned the discussion to the budget. The FY09 budget was finally passed. The IAF mark was \$22.5 million, which is close to the \$25 million that was proposed by the Senate. For 2010, typically the president's budget goes up to the Hill the first week of February but that has not happened since this was a presidential transition year. The budget was scheduled to be released in March. They have released the top line numbers, but not the underlying specific numbers which includes the IAF as part of the State Department's 150 account. Our FY10 passback number from OMB is \$22.8 million.

Ms. Hodges said the Congressional Budget Justification is complete and with OMB for its review. We are waiting to receive OMB clearance so that we can release it to the Hill.

Mr. Vaughn asked about the Administration's plan to cut \$100 million in federal spending. Ms. Kolko said the cut would not affect the IAF since we are so small. Sometimes when we get our budget, for example in the FY09 budget, they do what is called a rescission and they cut every federal agency by a small percentage.

Chairman Salazar said he appreciated the job Ms. Hodges has been doing. We have seen the progress made with Congress and our appropriations are increasing.

Ms. Hodges said our visibility and our message for individual Congressional offices have expanded exponentially, and that is turning out to be good for us in ways that cannot be envisioned on the front end. For example, we have been working with a staff member in the office of Senator Mark Pryor of Arkansas for many years now. He was not on one of our key committees but someone we had personal contact with, and now he is on the Appropriations Committee. So he just became all that more relevant for us.

Program Update

Chairman Salazar turned the discussion to the Program Office. He asked Ms. Wheeler to talk about Mexico and Central America.

Ms. Wheeler said we have received several phone calls with regards to the swine flu in Mexico. She mentioned the recent news that the Europeans have announced restrictions on travel to Mexico. We have a call in to the US Embassy to get some guidance from them. We also received a call from the data verifier who said she was not going to travel, at least for the short term, until we get more guidance. So it is something we will watch closely.

In response to the question on the North American Development Bank, Ms. Wheeler said we do not receive many proposals from the US-Mexico border region. Over the past year we have added another half-time representative to start expanding the Mexico portfolio. But with the security issues, we have held back to wait and see what is going to happen. We have not followed up too much because we are trying to look at our bigger picture strategy.

With regards to the Guatemala corporate partnership with Pantaleon Foundation, over the past several months we have been working to refine the criteria and selection process. They are hoping to start putting out a call for proposals in June to start receiving applications for the subgrants. The agreement is a parallel partnership, similar to a RedEAmérica project in Peru in which we have some significant counterpart funding from Codespa, a Spanish development organization.

Ms. Wheeler highlighted a proposed partnership with the Nicaragua campus of INCAE Business School, which is based in Costa Rica. The agreement involves more of a private sector approach. We will select about 10 of our existing grantees to receive specialized technical training in marketing and sales from INCAE. Members of the agricultural cooperatives can select representatives who will receive intensive training to build their marketing plan and try to scale up to the next level.

This will be an interesting opportunity for INCAE to adjust some of its training materials to a more grassroots level audience. The participants will have had some university education, but they would not be regularly interacting with that level of academic institution. We are excited about the agreement and are in the process of finalizing it.

Food security and the environment are trends that have been fairly constant over time, but especially strong in the proposals received this year. Ms. Wheeler said we have been focusing on them particularly because the environment is such a publicly visible theme. There have been interesting discussions and questions on carbon sequestration and payments for environmental services programs. One of our grantees that received payments for carbon capture services is trying to wind up their plans and finalize their grant. We are talking with them about how they plan to expand their programs, and looking at them as a model for other grantees. We want to organize exchanges to bring other grantees, who may be marginally working in forestry or organic agriculture, to visit this particular grantee in Oaxaca to get a sense of what those communities can do if they join together and begin to negotiate agreements.

Ms. Wheeler highlighted a proposal from a group in Oaxaca called SICOBI, a network of ten indigenous communities. In Mexico there are very traditional indigenous structures that are fairly organized at the community level, but they are looking at joining together at the regional level. From a community of 800 to 2,000 people, they are joining networks with other communities and gathering 30,000 people in a region. Oaxaca has one of the best traditions of community managed forests and lands, so they have been working on local and regional land use policies so they can look at watershed and forestry management. In the proposed IAF grant, we will be supporting the creation of tree nurseries for reforestation, land use planning activities, and training to strengthen their administrative and negotiation skills. The idea is to build toward a capacity where they are well-organized, have strong plans in place, and can then negotiate on payments for water conservation or carbon capture services.

Ms. Wheeler mentioned a program in the Valle de Bravo region outside Mexico City which has been creating a fund to receive payments for water services and water conservation by the indigenous communities in the highlands and the users in Mexico City. They have established a trust fund to receive the payments. They completed the first phase of their project and we are looking at a follow-on proposal from the grantee to continue developing these tools and agreements which is a fairly complicated technical process.

Mr. Vaughn asked who pays the credits that the grantees receive. Ms. Wheeler explained that the group receiving payments for carbon capture services in Oaxaca received cash payments from the Mexican government, which has a program to create incentives for these communities to do forestation and forestry management. They also received cash payments from European organizations. Mr. Vaughn asked if the credits are fungible. Are they worth anything? Ms. Wheeler said they receive cash and then distribute it back to the people in the communities.

Mr. Wallace said there are extremely difficult standards to qualify for European carbon trading credits. For example, Mr. Wallace's company has an operation in Tunisia and they are going to do a lot with carbon capture. But it is very complicated. This is a big issue for environmental groups in the US right now. One of the battles is how many foreign offsets are going to be allowed in the cap and trade scheme. Part of the concern

by the environmental groups is that these are not very well regulated and there is concern about fraud.

Mr. Wallace said that in the future, if we ended up carving out some kind of a program to essentially train and develop recipients for this, we could get a lot of environmental groups supporting the IAF.

Ms. Hodges said it was unfortunate that Board Member Gary Bryner could not be at the meeting because he has done research specifically looking at carbon credits and how to establish the pricing and how much these credits are going to be worth. Professor Bryner visited the project in Oaxaca about a year and a half ago, and he had many questions because of his background and knowledge of this issue.

Ms. Morrison said the question about the environmental standards and the level of rigor when assessing the values also came up during Professor Bryner's visit to Boticario.

With regards to INCAE, Amb. Dodd noted that it is an important educational institution. He asked if we plan to do any work with INCAE beyond Nicaragua. Ms. Wheeler said we are in touch with them about a variety of topics because they are very engaged in corporate social responsibility work. Amb. Dodd said INCAE has a first-rate faculty and the participants come from companies and businesses throughout Central America.

Referring to the December meeting minutes, Amb. Dodd asked about the status of signing an agreement with Zamorano University. Amb. Palmer said the university was working on a large project with their department of agriculture, and we need to follow up. Amb. Dodd said Zamorano is a first rate school, supported and financed by businesses from all over Latin America.

Mr. Wallace suggested the Regional Directors sit down and talk with representatives of environmental groups. They are going to know more about what qualifies for international offsets. It would be a good way of introducing something we are thinking about doing and getting some feedback. It could be an enormous revenue stream to our beneficiaries. Mr. Wallace suggested starting with the Environmental Defense Fund and Natural Resources Defense Council.

Regional and Summit of the Americas Overview

Chairman Salazar welcomed A/S Shannon to the meeting. Chairman Salazar said we have seen the excellent work leading up to the Summit of the Americas, and we are pleased to have A/S Shannon share what happened at the Summit, what led up to it, what is coming out of it in terms of US-Latin American relations, and what the implications might be for the IAF.

A/S Shannon said the crisis of the moment is the swine flu. There have been a dramatic series of events in Mexico and the US, and there is now a confirmed case of swine flu in Spain. The World Health Organization is meeting in Geneva to determine its next steps.

One of the decisions under consideration is whether to issue a travel advisory, recommending that people not travel to Mexico. The European Union has already issued a travel advisory recommending that Europeans not travel to North America, especially the US and Mexico. Travel advisories are probably the lowest barrier that we can put in place, but the movement across our frontier with Mexico is so massive. Through the North American Leadership Summit process and the Security Prosperity Partnership process we have come to terms with Mexico and Canada on a North American plan related to pandemics like the avian flu. This is not a pandemic yet, it is still an epidemic, but we have some structures in place to manage communications and relationships between Canada, the US and Mexico to ensure information flow. The only thing to take for this kind of swine flu is Tamiflu, and the US has a supply for about a quarter of our population. A/S Shannon thinks we are managing the situation pretty well so far, but it changes hour-by-hour depending on what is happening in Mexico and how many cases are developing in the US.

With regards to the Summit of the Americas, A/S Shannon said we were very happy with the results and they were as good of results as anyone could have expected. The credit goes to our President, because he was the attraction at the Summit. He was the person everyone wanted to see and engage, and avoid fighting with.

Going in to the Summit, we had a few things in mind. First, was the effort to build a road from London to Port of Spain. The G20 Leaders Summit, which took place in London, had five Summit of the Americas participants: the US, Canada, Mexico, Brazil, and Argentina. It was significant to have such a large component from the Western Hemisphere, and three countries from Latin America, participating in an event like the G20 Leaders Summit. It allowed us to build some momentum coming out of London and not having to do it all on our own, in addition to having some credible partners in the region that were prepared to go to the Summit and show that we were trying, through the additional funds we were providing to the IMF and the World Bank, to create the ability to lend to the poorest and most vulnerable countries. In our region the poorest are the Central Americans and the Caribbeans. Those are the countries that do not have large cash reserves, do not have large domestic markets that rely on trade for economic growth, and cannot get the Chinese to buy their debt. We needed to show clearly that we were prepared to find ways to push money at these countries to protect their private sector budgets and especially to protect the gains that they had made in the fight against poverty and inequality and the social programs they are devising. As part of the effort to show that we are committed to these countries, there was a push for capital replenishment of the Inter-American Development Bank. Not everyone around the table called for capital replenishment, but everyone called for increasing the capital available to the IDB and streamlining its lending practices and procedures so it can push money out the door as quickly as possible to the countries that need it. A/S Shannon thinks we accomplished that.

In addition, the US did something interesting with other partners. The Overseas Private Investment Corporation, the IDB and the Inter-American Investment Corporation have committed to creating a micro enterprise finance fund which will be financed with \$250

million for microfinancing and support. It is going to be focused on making small grants and loans to micro businesses and small businesses with the purpose of trying to ensure that that financing does not dry up in some of the more vulnerable economies.

A/S Shannon said the Trinidadians did a good job hosting the event, which surprised everyone. Right up to the end, people were concerned that they would not be able to pull it off. It was tough for them logistically and substantively. They did not have enough hotel space and had to bring in cruise ships, but those all worked wonderfully. The cruise ships were better than most of the hotels, and they were closer because they were docked almost right at the site of the Summit. Managing 34 heads of state, all their security and support staff, and all their aircraft in a small space is never easy, even for the most organized, but the Trinidadians did a good job making sure people showed up for meetings on time and that the meetings ran more or less on schedule.

Also important is the fact that the Trinidadians got the hemisphere to Port of Spain with a closed Summit Declaration. This did not happen at Mar del Plata, where the document was not closed and leaders ended up having to negotiate text instead of having a larger, strategic discussion. The fact that the Trinidadians were able to manage almost a two-year negotiating process and end up with a closed document was a big achievement. A few countries tried to open the document – the Venezuelans, Bolivians and Nicaraguans – because they did not think the document was tough enough on the financial crisis. In other words, they did not think the document blamed the US enough, and they wanted an explicit rejection of the embargo on Cuba which they did not get in their initial round of negotiations. The Trinidadians held the line and refused to open up the document and kept it closed, which caused a bit of a scuffle at the end of the Summit. Originally, the Trinidadians wanted all the heads of government to sign the Declaration. However, these are consensus documents, not unanimous documents. In the end, Prime Minister Patrick Manning of Trinidad was the only one to sign as the presidential chair of the Summit.

A/S Shannon said it was striking to see around the table how engaged the leaders were. They focused broadly on the three themes of the Summit: human prosperity, energy security and environmental sustainability, and tried to link them all to the current economic crisis. There was an effort by all the countries to show that they could develop a coordinated response that would prevent it from becoming a social and political crisis in many countries in the region, and allow the region to stay focused on those broad themes which are going to define the economic recovery.

A/S Shannon said there was a lot of respect around the room for what the US is trying to do with regard to our own economy. There was recognition that the best thing we can do for the region is to get our own economic house back in order and get our growth rates up. At the same time, there was recognition that this is a sea change for American citizens who are going to change their spending and credit habits when the crisis is over.

A/S Shannon mentioned that President Obama did no bilateral meetings during the Summit. Aside from the plenary sessions, President Obama met with leaders in three subregional groupings: the Central American Integration System, SICA (Sistema de la

Integración Centroamericana); the Caribbean Community, CARICOM; and the union of South American nations, UNASUR (La Unión de Naciones Suramericanas).

In some ways, the meeting with UNASUR was the most significant because we have recognized SICA and CARICOM in a variety of encounters, but we have never met with UNASUR as an entity and we had never recognized them in such a public way. That was an important step because one of President Hugo Chavez's arguments is that our purpose is to not allow South America to integrate, and to somehow keep throwing obstacles in the way of such integration. We wanted to send a clear signal that we see the subregional integration as enhancing and enriching the Summit process because it promotes dialogue within the subregions, and that we can manage that in terms of pursuing our larger interests.

The only individual sessions President Obama had were with the people that he sat next to at meals: President Alvaro Uribe (Colombia), President Alan Garcia (Peru), President Rene Preval (Haiti), and President Michelle Bachelet (Chile).

Amb. Palmer asked if Secretary of State Hillary Clinton had any bilateral meetings. A/S Shannon said she did. Secretary Clinton met with Bolivian Foreign Minister David Choquehuanca and Ambassador to the United Nations Pablo Solón; Ecuadorian President Rafael Correa and Foreign Minister Fander Falconi; and the Foreign Minister of El Salvador. Secretary Clinton also met with the Joint Summit Working Group, which is a collection of multilateral entities that work as implementers of the Summit agenda. That was a useful meeting because it connected us with many institutions that the IAF connects with in a variety of ways.

In terms of our specific agenda, a few important things came out of the Summit. A/S Shannon mentioned the encounters between President Obama and President Chavez. The first occurred while they were waiting in line for the entry procession. The Venezuelans moved from the end of the line to the front of the line by choosing a new name for themselves, the Bolivarian Republic of Venezuela. Antigua and Barbuda were not represented, so President Chavez was the first to go. President Obama briefly met President Chavez while they were waiting in line, then at the UNASUR meeting, and again at the retreat for the heads of government that Prime Minister Manning hosted.

At the UNASUR meeting, President Chavez handed President Obama the book by Eduardo Galeano, *Open Veins of Latin America*. The debate is still going on; A/S Shannon mentioned a piece by Mary O'Grady in the Wall Street Journal today. There has been a lot of back and forth, but we are now in a position to return ambassadors to capitals. President Chavez announced who was going to be the Venezuelan ambassador in Washington, so now we have to reciprocate. A/S Shannon said it was a good thing to have our ambassadors back in the capitals. There were more than a few members of the Venezuelan opposition who were concerned by the events at the Summit. Our point to them is that in a Summit environment we cannot be a divider; it could come back to us in a very negative way. Especially in this moment of crisis, we had to find a way to pull people together and create some level of unity even if it is difficult to maintain over time.

Ultimately, one of the reasons President Evo Morales and President Chavez removed the US ambassadors from their capitals is because they did not like the perceived linkage between our ambassadors and opposition groups. Being able to put ambassadors back into capitals is going to be very important, not only in pursuit of our own interests, but also in terms of protecting democratic space in these countries.

A/S Shannon said in the conversations we had with the Bolivians, they were very keen on sitting down and working off a five-point agenda which hit all the themes one would expect – development, counternarcotics and trade. For us, that was a positive sign. We agreed to have teams of our officials sit down, either in La Paz or Washington, in mid- to late-May and begin to design a new framework for our relationship which, if we are successful, will allow us to return ambassadors to capitals.

A/S Shannon said Secretary Clinton's meeting with President Correa was very useful. The Secretary was able to engage with him in a way that he appreciated, to get beyond his expulsion of two embassy officials from Quito.

A/S Shannon said what President Morales was really after in the Summit was a condemnation from the US of what was happening in Santa Cruz. They had just had an incident where they killed three men and arrested several others, supposedly for managing a very complicated kind of terrorist plot against him and his government. President Obama was very clear in his public statements that we were strongly opposed to any kind of violent actions against democratic governments or elected officials.

A/S Shannon reiterated everybody wanted to engage with President Obama and have their picture taken with him to show that they could have a new kind of relationship with the US. The real test is ahead. Venezuela is going to be a difficult country to manage because of everything President Chavez is doing. Bolivia is probably also going to be neuralgic. A/S Shannon thinks we can do something with Ecuador. A/S Shannon noted that for all of Nicaraguan President Daniel Ortega's anti-Americanism, the US-Nicaragua relationship is so tight at almost every level that he can only go so far.

A/S Shannon noted that our ability to stay engaged at a high level and to continue to have many visits into the region is going to be important. Working with our G20 partners and with the IDB, we are going to have to show that we can follow through on pushing resources into the region, especially for the poorest and most vulnerable countries.

A/S Shannon turned the discussion to Cuba. President Obama knew it was going to be a tough issue going in to the Summit; he knew there was building pressure on us on the embargo and other aspects of our Cuba relationship. The President's effort was to get in front of it, first by announcing what he did just prior to the Summit: rolling back the restrictions on family travel and family remittances, and opening up our telecommunications sector. That was all done under the strategic rubric of rebuilding ties between Cuban Americans in the US and Cubans in Cuba, but also through the telecom's opening to try to create a space for American companies that could begin to connect to

Cuba through the networking that telecommunications offers. That was appreciated at the Summit, and although it was seen as a small step, it was a step in the right direction. There was a lot of talk about the embargo and about the importance of bringing Cuba back into the inter-American system. The President's commitment to begin some kind of dialogue with Cuba resonated in a positive way.

A/S Shannon said it is becoming more evident as we move forward that we are probably going to have a two-track approach to Cuba. One track is people-to-people, where we try to get information and resources and capacity building to the Cuban people. The second track would be some kind of government-to-government, where we see what the Cubans are capable of doing and what we are capable of doing on areas that could be of mutual benefit to us, such as migration, security, or counternarcotics issues. As we go down that path, we are going to have to make sure we build in a human rights and democracy component because that is not something we can step away from in terms of our broader dialogues since that has been such a driving part of our Cuba policy.

A/S Shannon said the US is going to be measured by how well we are meeting the goals we set for ourselves in Port of Spain. He mentioned the OAS General Assembly in San Pedro Sula, Honduras, at the beginning of June. That is going to be tricky because the Hondurans and others want to propose a resolution revoking the 1962 suspension of Cuba. We have some diplomacy in front of us on that. We also have the North American Leaders' Summit in Mexico in August, and the UN General Assembly.

As we look over the first 100 days of President Obama's term, we have seen continuity on some key issues like the Merida Initiative and our engagement with Mexico and Central America, and then building off the strong foundation of Merida to the Caribbean. One of the commitments that came out of our meeting with the Caribbeans is that we will begin a security cooperation dialogue with Caribbean countries.

Aside from President Obama's trips to Canada, Mexico and Trinidad, Secretary Clinton visited Mexico, Haiti, the Dominican Republic and Trinidad. Also, Vice President Joe Biden went to Viña del Mar, Chile, for the Progressive Summit and had a chance to meet with President Luiz Inácio Lula da Silva (Brazil), President Tabaré Vazquez (Uruguay), President Cristina Fernández de Kirchner (Argentina), and President Bachelet. Vice President Biden also met with Central American leaders in San Jose, Costa Rica.

Chairman Salazar congratulated A/S Shannon on guiding American policy in this direction, and opened the floor for questions or comments.

Mr. Vaughn mentioned that prior to A/S Shannon's arrival at the meeting there was discussion about how we might begin to think about Cuba. Mr. Vaughn asked A/S Shannon how he might advise us in that regard.

A/S Shannon said this is going to be tricky, but at the same time it could be historic. This is not the first time we have been at such a moment where there has been a lot of hope in terms of what we can do with Cuba. In the past, we have gotten tangled up largely

because the Cubans have not wanted to do this, and they found some way to stop it from happening. A/S Shannon's hope is that as we move forward, we will reflect on that history.

A/S Shannon met not long ago with the Director General of the European Commission, who has been to Cuba several times, and said that the Cuban government has given the EU permission to begin microcredit work. It means that the Cubans are anticipating some increase in micro businesses of one sort or another.

A/S Shannon said the IAF has to be careful and cautious looking ahead. As a strategic planning exercise, it might make sense to think about what kind of role the IAF could play if the US were to head in the direction of greater engagement. There are probably a variety of ways the IAF could do that and still have some political cover, whether working with USAID or others in the development community. The grassroots and grant-based development work that the IAF does would be really well suited for Cuba, especially at an initial phase of engagement where the Cubans would be leery about USAID presence because it is so well branded and it comes with such a heavy civil society overlay. A/S Shannon said USAID is also kind of ponderous, whereas the IAF is much more agile and flexible. The IAF could do a lot more work on what is called the edges of the state, the point where the Cuban state ends or is frayed a little bit, especially at the community level and local governance and trying to build capacity.

Ultimately as we think about Cuba, much is in front of us and much could go wrong but what we will see happening over time is Cubans themselves will recognize that freedom has many different forms. It is not all political. Freedom is anywhere the state does not determine the transaction, so it can be social, cultural, religious, or economic. A/S Shannon thinks any realistic assessment of what is going to happen in Cuba has to assume that freedom is going to build inside of Cuba. It is not going to be an East European model, but it is going to be a slower process and we have to have the capability to get in and work at the beginning of that process. Otherwise we will not have influence; somebody else will.

Amb. Dodd asked A/S Shannon about his reactions to President Lula's role at the Summit.

A/S Shannon said President Lula appeared to be the one keeping everybody in line. In fact, at the end of the Summit, President Lula congratulated some of his colleagues for having behaved well. A/S Shannon said that underneath that exterior there is profound anger at what has happened economically and financially in the world. There is anger at the US, at our financial system, and at our inability to control it. That anger slips out every now and then when he asks how it is possible that the most technologically advanced country in the world could not see this coming. One of the principal drivers of that anger is President Lula's concern that much of what he has accomplished is now at risk, in Brazil and elsewhere. But that is manageable, so it is much better to have somebody like that inside the G20 and trying to play a role. A/S Shannon said the Brazilians are going to continue to push hard on the Cuba issues because they see

President Chavez's influence waning, and the relationship between President Chavez and President Raul Castro is very different than the relationship with Fidel Castro. The Brazilians see themselves as being a big player in Cuba's future, largely because they doubt the ability of the US to get over our political hurdles.

Mr. Wallace commented that Brazil seemed to be very low key in the press coverage; one would think the Summit was going to be a place where they really would have asserted themselves. A/S Shannon said at one point leading up to the Summit, the thought was that President Obama was going to steal the show and President Lula was going to be relegated, in terms of the public perceptions, to a lower tier. But the Brazilians responded to and managed it well. The Brazilians came out looking like one of the principal negotiators of a successful Summit.

Chairman Salazar said with regard to Cuba he was very encouraged by everything that was happening through President Castro's statement about being willing to discuss everything, but then Fidel Castro jumped into it and kind of pulled back. Chairman Salazar asked A/S Shannon how he thought it ended up.

A/S Shannon said we are going to find out shortly. What they were rejecting was the notion of open-ended dialogue, not the family travel or the family remittances. The Cubans were struggling to figure out what the US was up to because it all happened so quickly. The US announced the changes in travel and remittances and the telecom sector just a few days before the Summit. President Castro gave a speech in Venezuela and said that he is prepared to engage in dialogue with us, but it was the first time he actually enumerated things in such detail and mentioned political prisoners, human rights and elections. Secretary Clinton jumped on that while she was in the Dominican Republic and said the US welcomed President Castro's comments and looked forward to determining what our next steps would be with Cuba. That caught the Cubans by surprise; they were not prepared for that. Then when President Obama followed up almost immediately with his statements about trying to transform our relationship with Cuba and tried to engage in dialogue, the Cubans needed some space to protect themselves. There is no doubt that President Raul Castro is consolidating his power and he is the one running things in Cuba. He and his brother have different points of view on certain things, but they have worked side by side for 50 years and they are not going to split now. They are going to find some way to stay together. Fidel Castro's kind of resurrection has changed the dynamic inside of Cuba. People really thought he was going to fade away but, at least right now, he seems to be reasonably healthy and functioning not as a governor but as a political figure. A/S Shannon said the bottom line is we do not know.

Chairman Salazar said he was very excited about the positive things coming out of the Summit of the Americas and the new relationship with Latin America. He asked A/S Shannon how he sees the IAF fitting in to this new engagement and approach to Latin America.

A/S Shannon noted the IAF has been working in the region for a long time and is well-known and tied to the Alliance for Progress, which is a great branding tool as we go about our business. The challenge is protecting the social gains that have been made and making sure that, as we look ahead, the economic recovery has built into the larger social agenda. The hemisphere has adopted for itself a model of democratic development that really describes what the IAF is about. The challenge for the hemisphere is whether we can show that a region that has committed itself to democracy and democratic development can manage this kind of crisis and develop a coordinated response to it without losing sight of what democratic development is all about: fighting poverty and inequality. Especially working in Central America and the Caribbean or in the poorer areas of countries like Peru, Bolivia and others, the IAF has an opportunity to highlight how its kind of development, even in this period of great economic crisis, can deliver results at a grassroots level and protect people at an important moment. A/S Shannon thinks now would be a great time to increase the IAF's profile and highlight democratic development and grassroots development. It will resonate in a positive way.

Mr. Wallace suggested the IAF's 40th anniversary is a good time to increase our profile. A/S Shannon agreed. A/S Shannon said the Alliance for Progress and all the institutions that came out of it were created in a moment of crisis, in the immediate aftermath of Cuba, and there were doubts about where the hemisphere was going. The IAF has a history of partnership in the region. It is worth noting that when the IAF started, we were in the midst of our own war on poverty, the civil rights movement, and a social upheaval that was mirrored in much of Latin America. So there was a dialogue and cross-fertilization that was taking place between Latin America and the US. That kind of message would be positive right now because the IAF comes to the region with experience, with the idea of partnership, but also with a certain humility that resonates really well.

Ms. Kolko asked about the role of Argentina at the Summit. A/S Shannon said the speakers at the opening event were President Fernandez de Kirchner, President Ortega, Prime Minister Dean Barrow of Belize, President Obama, and Prime Minister Manning. According to A/S Shannon, the two Latin American speakers gave a backward-looking, resentful, angry, anti-American speech. They both said they blamed everybody else, but not President Obama. President Fernandez de Kirchner's speech was only 15 minutes long; President Ortega's speech was 53 minutes long, during which he called for the independence of Puerto Rico. President Fernandez de Kirchner's speech was quickly forgotten but it was not a whole lot better in terms of tone and substance. In contrast, Prime Minister Barrow's speech and Prime Minister Manning's speech were clear-eyed, forward-looking, unafraid, and prepared to engage with the US and other partners.

Ms. Morrison asked A/S Shannon to elaborate on his comment that Venezuela and Bolivia will continue to be difficult.

A/S Shannon said Venezuela will be difficult because President Chavez is very mercurial. Nothing is going to happen in the relationship that he does not approve. That means that if we are going to move forward we are going to have to spend a lot of time

with him. That is difficult when he is arresting his political opponents, exiling them, trying to get Interpol to hunt them down, and when he continues to have some kind of relationship with the FARC. It is going to require some diplomacy and hard work on our part.

A/S Shannon said Bolivia is going to be challenging largely because by the end of June we have to submit reports to Congress on whether we restore Bolivia to its trade preferences under the Andean Trade Preference Act, or whether they are removed permanently. Their counter narcotics cooperation is not going to improve because they are not going to take the DEA back. It is going to be tricky. Congress has been tough on that and we can have meetings and sign a couple good agreements, but if by the end of June we cannot extend the Andean trade preferences again to Bolivia, there is likely to be another crisis.

Chairman Salazar thanked A/S Shannon for his participation.

A/S Shannon left the meeting.

Program Update, continued

Chairman Salazar returned the discussion to the Program Office.

Ms. Wheeler highlighted initiatives in the Central America and Mexico region. We are continuing to support and encourage the growth of community foundations in Mexico. Most recently, we have been participating with a group of funders including the Ford Foundation, Mott Foundation and the WINGS network, an international association that works on community foundations. We also co-funded a study on community foundations in Mexico. Over the next few months we will be looking at the results of that study which should be a helpful overview of what is happening in the field and will be useful for other community foundations in the region.

Mr. Wallace asked if community foundations are related to the issue of remittances. Ms. Wheeler said we have not really seen it connect that closely. Many community foundations focus on basic services like children and families, health, and nutrition and have not gotten involved with remittances. There are a few that seem to have an interest. For example, some of the community foundations in Oaxaca and Puebla are starting to look at the topic, but we have not really seen too much happening on the ground yet.

We continue to have projects in our portfolio on the migration and remittances initiative. El Salvador has some of the most active and successful projects. We have been continuing to coordinate with other donors to see what is happening in the field, looking at ways we could do some co-funding and share lessons learned. We have also been improving contacts with Hispanics in Philanthropy to explore potential partnerships around that area.

Chairman Salazar asked about the security situation in Central America. Ms. Wheeler said there are certainly security issues in Mexico, particularly in the border area, but it has been a gradual deterioration and not a noticeable bump. Much of it is youth delinquency, street crimes or random crimes. Guatemala has been our biggest concern recently. We stay in close contact with the Embassy. Before FRs go on trips we send a copy of the trip itinerary to the Embassy, and they have become stricter on saying not to travel at night or to avoid certain roads. We are finding that we are taking more security precautions and it seems to be more random than it used to be, particularly in Guatemala.

Amb. Dodd noted that in the last six months or so, several Central American countries have been cooperating in joint operations to deal with drugs and crime across borders.

Ms. Morrison highlighted initiatives and challenges in the South America region. She mentioned there is a dengue outbreak and there are concerns in Argentina about governance structures and the economy. We are finding that grantees are having greater difficulties getting access to financial resources. It is something that we are paying attention to very closely.

Ms. Morrison highlighted our involvement with the US – Brazil Joint Action Plan Against Racial Discrimination (JAPER), which was signed by former Secretary of State Condoleezza Rice and Edson Santos, Brazilian Minister for Promotion of Racial Equality. Amb. Palmer, Ms. Morrison and our new Brazil representative, Amy Kirschenbaum, will be attending a JAPER meeting at the State Department this week. It should be an interesting discussion. There will be about 50 civil society representatives at the event; the IAF is sponsoring the participation of six individuals.

Ms. Morrison noted there are increasing concerns about President Fernando Lugo of Paraguay, a strong leftist leader, and there have been some calls for his resignation. It is something that we are following with our grantees, and we are interested in ensuring that there is some political stability in the country.

A major donors conference was held recently in Haiti. The IAF representative for Haiti, Jenny Petrow, attended the conference. Other attendees were George Soros; Secretary-General of the UN, Ban Ki-moon; Secretary of State Clinton; former President Bill Clinton; and Paul Farmer, who is a great advocate for Haiti. There was a very important discussion and we are looking at continued visibility for Haiti.

The IAF is co-sponsoring a *Jatropha* conference in Haiti in June. The *Jatropha* plant can be used for biofuels at a local level in addition to some potential marketing of biofuels for an export market. It is very easy to process and very low-tech. We are supporting the participation of some civil society groups and it should be a very interesting conference.

Ms. Morrison highlighted a proposed new IAF grantee. Fondation Festival Film Jakmèl (HA-206) is a Haitian youth film education project with some educational potential. It has received some technical assistance and support from Martin Scorsese and other high level Hollywood producers. It is a fascinating project that comes out of a famous cinema

festival in Jakmèl. The Sine Institute is hosting a reception in New York City and will preview a short film that specifically talks about the work of the institute and will feature the IAF grant.

Ms. Morrison turned the discussion to RedEAmérica. RedEAmérica has incorporated in Colombia. The new Executive Director for RedEAmérica is Margareth Florez who previously worked with two IAF grantee organizations in Colombia, Fundación Corona and Transparencia Internacional. Ms. Florez will be on board May 1 and we look forward to having a meeting with her soon.

We received a request from RedEAmérica Brazil and are waiting for some signatures from their counterparts to process a novation for RedEAmérica Brazil to be turned over to Group of Institutes, Foundations and Enterprises (GIFE). GIFE is a former IAF grantee that is interested in putting together a report on Mais Unidos, with which they have a strong relationship. They have been around for over 20 years doing this kind of work and have a new leadership team that focuses on hemispheric networks. We are looking forward to processing the novation soon. GIFE works closely with Ethos, another IAF partner that is also actively involved in Mais Unidos, and it has over 150 primarily US companies on their roster. Many of them overlap with Ethos because Ethos also represents about 33 percent of the Brazilian GDP and most American companies are part of Ethos network. There is a convergence of RedEAmérica, GIFE, and Ethos which is exciting for the synergies and possibilities for moving forward.

RedEAmérica Brazil is going through a major restructuring. They decided not to move forward in obtaining their equivalent of a 501(3)(c) status. In addition, a consensus decision was made, on the part of the CEOs and the RedEAmérica Brazil members, not to engage the CEOs as much in daily operations.

With regards to the idea of a certification process through Monterrey Tech, Ms. Morrison said she anticipated that it probably would not happen until Ms. Florez is in place as Executive Director. We do not have any active requests from RedEAmérica at the hemispheric level. They told us that they will be revising a proposal and submitting it in the next couple of weeks, and it may or may not include Monterrey Tech.

Ms. Morrison highlighted the Codespa re-launch. The IAF had an agreement that was signed with Codespa in April 2007, and on March 3 of this year we re-launched it with the firm financial commitment of at least \$1.5 million from Codespa and \$1 million from the IAF. They are in the process of matching the IAF with about \$2 million. Codespa's general manager, director of international programs, president of the board of directors, and local DC representative came to the IAF for a signing ceremony to commemorate our partnership. Codespa is a major donor and has an emphasis on income generation and economic development programs in the hemisphere. As a result of the relationship with Codespa, we are tweaking some of our agreements. For example, we are looking at Atocongo in Peru to understand how to get to some of the costs of the sub grant agreements and how to refine them so they are in specific categories like salaries, travel, etc.

We have seen a push for environmental projects in South America. A project recently presented for funding is Ação Moradia in Uberlândia, Minas Gerais, Brazil for approximately \$300,000. The project (BR-851) works with ecologically sustainable bricks. Traditionally, brick-making requires a kiln and can often be toxic. These bricks are a mixture of sand and water and are extraordinarily light, weighing about a pound and a half each. The idea behind this project is that families, and particularly women heads of households, are building bricks that can fit together like LEGOs. They do not need mortar and can lay one on top of the other. They have two holes in the middle that are helpful for running piping and electricity wires. It costs about a third of the cost of a traditional house, and is something that people can do with their own labor. These are attractive homes with nice designs that are affordable and use an innovative technology that we are hoping we can see replicated throughout Brazil and other parts of the hemisphere. There is some technical assistance involved to make sure that the structure is sound, with a civil engineer and architect. It has a proven technology and is perceived as an innovation in house building and low income housing options in Brazil.

Ms. Morrison mentioned we have a companion project in the neighboring state, Espiritu Santo, in Vitoria. It is a bank project that provides some support for individuals who are able to get small loans through a solidarity mortgage broker. This is also a new project that was presented recently. It has some support from HSBC Foundation, Banco do Brazil and a number of other Brazilian banks, so we are hoping that through this technical assistance we can be involved in producing thousands of homes in this area of Brazil.

Ms. Morrison said we are finding that more women's groups are now transitioning into production. Groups that have traditionally worked in areas of human rights and development are now looking at income generating alternatives for women in sewing and other crafts or selling small goods. It is relatively new and particularly popular in the area of Esmeraldas, Ecuador, where we have been doing more outreach.

Ms. Morrison highlighted two projects working in indigenous communities. A new project we are considering for funding is Fundación Mate (AR-357), located in Misiones, Argentina. This is an ecotourism project with an indigenous community, the Guaraní, who are traditionally utilized as the entertainment in the tourism of that region. The idea is to create something that would be small scale ecotourism, focusing on culture and also taking advantage of some of the skills and training of the young people. It is a very innovative and interesting project based in part because of where it is located.

We are considering an amendment request from Pehuen in Chile for an extension of a hydroelectric plant that is owned by the Empresa Nacional de Electricidad in southern Chile. The idea of the project is to continue the community foundation, Pehuen, which is a RedEAmérica member interested in doing more work in the greater community. Right now the foundation has about 50 percent indigenous community representation. In the next year or so the foundation will be about 60-70 percent indigenous and will continue to become more and more indigenous over time. They are asking us to help them do

more grassroots community initiatives and help them get their board of directors more involved. These are grassroots leaders, traditional indigenous community leaders.

Mr. Wallace asked for clarification on RedEAmérica in Brazil. Is GIFE going to become the grantmaking arm of the node? Will it receive the monies from the various members of the node and handle the grantmaking?

Ms. Morrison said all the ICE grants have asked to transfer over to GIFE which would be in charge of management. We would like to have them receive an orientation so they have the information about some of the requirements of RedEAmérica. We have also been approached by Holcim about a potential bilateral agreement.

Ms. Morrison emphasized they are reformulating many things in Brazil because the CEOs are not as actively involved with the day-to-day operations of RedEAmérica. They still have a strong CEO network but they decided that it is better to engage the CEOs a couple of times a year in high level activities and events. This has been a period of transition for them, and we are trying to get some clarity as to how the GIFE arrangement will work. We anticipate receiving soon a formal request for the transfer.

Mr. Wallace asked if Consorcio will still be handling everything for RedEAmérica in Latin America. Ms. Morrison said now that RedEAmérica has legal status, they are going to be based in the Consorcio office for a period of time until they find their own space. Mr. Wallace asked if Ms. Florez will work on both the Colombia node and the hemispheric RedEAmérica. Ms. Morrison said Ms. Florez will work with just the hemispheric RedEAmérica because the Colombia national node has its own executive committee.

Amb. Palmer commented that the hemispheric component of RedEAmérica is the piece that is just not going anywhere.

Ms. Morrison said they are facing a few challenges such as the economic crisis. In the Brazil network, for example, Acesita just laid off the two leading executives. We are not sure what is going to happen with that. Arcelor Mittal bought two corporate social responsibility companies that had their own individual foundations, including Acesita. Now they are all part of one large multinational corporation. There are doubts as to whether they need to have two separate foundations, and they may be moving towards having just one. The worst case scenario is they might not have any corporate foundation, so there is a lot of uncertainty in the sector as a whole.

Another challenge is there are strong regional differences in terms of how the private sector works in different countries. In countries like Brazil or Argentina, many companies are multinational but that is not always the case in other countries even within the South American context. A challenge for RedEAmérica is how to make something hemispheric when the economic environments and the nature of the companies are very different.

The political context has also been complicated. Fundación Empresas Polar in Venezuela, which had a very important role within the South America node, has had significant challenges with privatization.

Ms. Morrison emphasized that we are in a listening mode because RedEAmérica is going through major restructuring. It is also a matter of consolidation. In the Dominican Republic, we have a relationship with the American Chamber of Commerce which is beginning to engage with RedEAmérica. The challenge is to understand how can we leverage and learn better practices from all the different models and get them to talk to one another.

Mr. Wallace highlighted the Monterrey Tech distance learning initiative. Mr. Wallace agreed that the hemispheric fund was perhaps too ambitious. But the IAF has said all along our greatest asset is our knowledge base and our ability to help groups understand the concept of sustainable grassroots development. Given our relationship with Jose Antonio Fernandez, who is vice chairman of Monterrey Tech, we could probably do something that would be very cost efficient and would not require people to travel. Mr. Wallace thinks training is one area where the IAF has real value added and we ought to try to push that as one of the things we can offer, as opposed to just dollars and co-funding.

Mr. Wallace suggested we might want to be more proactive as opposed to waiting for a proposal. Mr. Wallace said he would be happy to talk to Mr. Fernandez if there were a proposal, and see what we can do about getting them to sign on.

Chairman Salazar asked for reactions to Mr. Wallace's suggestion. Amb. Dodd said it made sense.

Ms. Wheeler said one of the challenges in this initiative is how to translate the in-house expertise we have at the IAF to the groups in the field. We have had some interesting and positive experiences with distance learning programs, for example, the Delnet program which we have supported through its online training in local development. One limitation is time constraints. Ms. Wheeler noted that valuable training tends to happen during field visits when the FRs are sharing ideas.

Mr. Wallace said we could help on the selection criteria. He agreed with Ms. Wheeler that every project is going to have something different and there is nothing better than having an FR there to transfer the knowledge. We know what types of projects tend to work and which ones do not. If there were a way that we could help at the front end with passing along information on how we go about the selection process, we might end up saving groups time and energy on projects that are not going to work.

Ms. Morrison said the current structure enables us to get very informed people that know the local context to say which groups are the strongest. Amb. Palmer said it could be something even more basic like ensuring that the focus is on the projects. Previously, the focus was on learning, promotion and training.

Ms. Wheeler noted that the idea of Web site resources and sharing information came out very strong in some of the earliest meetings with FUNDEMEX. We shared with them some of the RedEAmérica materials and information, which they found useful to some degree. In further discussions their focus turned to the subgrants, the matching funds and other details. They would like to improve their internal monitoring and evaluation system and we are looking at a variety of mechanisms.

Dr. Rodriguez-Stein mentioned that under the new system of integrating RedEAmérica members into the Program Office, we are providing all the new grantees or partners with an orientation visit in which we explain the selection criteria and the grassroots development process.

Dr. Rodriguez-Stein recently returned from an orientation visit in Costa Rica with EDESA, a RedEAmérica member. They had an excellent discussion of the objectives, partnership, and IAF process. It is a very significant change for all RedEAmérica projects to really understand what the IAF does and the methodology that we utilize. We are trying to implement it in other projects, for example, Pantaleon.

Dr. Rodriguez-Stein said in addition to orientation visits for the new projects, the data verifier visits them every six months and the auditor visits every year. It had been somewhat difficult to collect the data at the six month visit because we had not conducted orientation visits so the grantees did not know what data to collect or what indicators to select. We missed an opportunity there, but we are trying to mend it and so far it is going well.

Chairman Salazar said we appreciate the work of the Evaluation Office to make sure the grants are being operated like they should be. Chairman Salazar referred to Amb. Palmer's report about how some of our grantees are getting into positions of influence and power in their countries. Dr. Rodriguez-Stein mentioned she recently visited a very successful organic coffee project in Panama. The project director is running for congress representing the most deprived area in Panama, the Zona de Chiriqui.

Ms. Morrison noted in the South America region there are four or five projects that were former RedEAmérica small grants that look very promising for full IAF grants. It highlights the notion of the pipeline, with the IAF being able to recommend projects to RedEAmérica and vice versa.

With respect to the fiscal year process, Ms. Wheeler noted we have almost completed all the internal recommendations and presentations. FRs are now finalizing the write-ups of the grant agreements.

Ms. Wheeler introduced Seth Jesse, the FR for El Salvador, who was asked to present a proposed grant expected to be signed and become active this year. The project represents several of the common elements of environmental conservation and marginalized groups. Mr. Jesse presented El Bálsamo (ES-238) which supports the collective actions of an

extremely poor population in El Salvador to cultivate and add value to indigo, a crop that has historic and cultural significance. The proposal is to revitalize indigo production in Cuisnahuat, Sonsonate, one of the 14 departments in the country. It will be a two-year project with IAF investment of \$121,000 and counterpart funding of \$100,000. The grantee will be working with a community of about 50 farmers and their families, providing training and technical assistance to improve and expand the indigo cultivation, improve and standardize the processing of indigo dye and supporting them to market and sell the dye.

The IAF currently has 18 active grants throughout El Salvador totaling about \$5 million in funding.

El Bálsamo is an intermediary, non profit association that has worked with this particular community in Sonsonate for about eight years. Their first interventions were after the earthquakes in 2001 and they have constructed concrete homes there for families. They also have a demonstration plot where they do training in diversified fruit and vegetable production. They use organic influenced agriculture. These are largely subsistence farmers, so they produce traditional, basic grains, corn and beans. They sell any small surplus they might have to try to cover their basic needs.

The municipality where the project will take place is the third poorest municipality in the country. The department of Sonsonate has a fairly large percentage of indigenous Salvadorans. About 80 percent of the beneficiary population from this project self-identifies as indigenous. Mr. Jesse noted that this is different than what we think of when we think of indigenous people in Guatemala. In El Salvador they do not necessarily wear traditional dress. Most Salvadoran indigenous people do not speak a native language although some of the elders do. The indigenous Salvadorans are disproportionately affected by poverty.

Mr. Jesse emphasized the importance of indigo in El Salvador. Indigo was produced by the indigenous population in El Salvador before the arrival of the Spanish and was used for medicinal and decorative purposes. When the Spanish came, they exported it to Europe for dyeing textiles. That export ramped up as textiles were produced massively in Europe at the beginning of the 1800s. Then when synthetic dyes started to be used, the demand for naturally produced, organic indigo plummeted. It did not entirely disappear in El Salvador, however, and over the last 15 to 20 years there has been more interest in this type of dye. Internationally and nationally there has been an increase in indigo-based artisanry inside the country.

Mr. Jesse explained that once indigo is planted, it takes about six months before it can be harvested. So that the plant is not destroyed, they cut down about a third of the plant and take it to the processing center. There was a pilot project in this community for cultivating and processing indigo dye. The results of that project were basically the inputs for what they presented to the IAF. The leaves are put in a fermentation tank and go through a soaking and fermenting process that takes about 30 hours after which a bluish matter surfaces. Then they drain the liquid that does not have color and strain to

get an indigo paste that is dried. They can mill it and the indigo will go through a quality control. There are two labs in El Salvador that tests for the amount of coloring matter that is present in each batch. They receive a quality certification and based on that percentage, they can command a certain price on the market.

Mr. Jesse displayed photographs of products that use the dye including barrettes, jewelry, shoes, sandals, and bags. This type of artisanry is seen in many artisan shops so the demand is out there. In their pilot project carried out in 2008, El Bálsamo worked with artisan contacts nationally to gauge the demand.

Mr. Jesse highlighted the issue of ecologically sound agricultural production. The byproducts of the indigo processing, the plant byproduct, will be used for creating enriched soil that the grantee will use on their crops. The liquid that remains can be used to spray as pesticide.

Mr. Jesse said it is a really good time for the IAF to be supporting this particular community, to build on success that they have had in the past but to expand and improve production of the crop that has significance to that population. The grantees commented to Mr. Jesse several times that this is what their ancestors did. To a large extent the processing has not changed a whole lot in 500 years, but they are going to be improving on what they did in the pilot project.

Chairman Salazar commented that it is a great project. Mr. Vaughn and Amb. Dodd agreed. Amb. Dodd noted that indigo was exported from that area in El Salvador to Mexico and South America. It was very profitable, during the colonial period too, but then it declined and practically disappeared for the plantation economy in El Salvador. Now the people are getting back to their roots and it is a wonderful thing to see. Amb. Dodd said the project was truly remarkable.

Mr. Wallace asked for an estimate of the production volumes of the 50 farmers. Mr. Jesse said in the first year they are expecting to produce about 50 kilos of the indigo dye per manzana, which is a fraction of a hectare. That amount is fairly significant for this particular community. For the second year, they are expecting to produce about 60 kilos per manzana, or 600 kilos. In the first year the plant normally does not give as strong or as high quality indigo dye as in the second or third year, and then they will replant. They can plant side by side with their traditional crops.

Mr. Wallace asked how much a kilo of indigo dye sells for. Mr. Jesse said depending on the batch testing, it can sell for between \$30 and \$80 per kilo. The \$80 would be for certified organic dye, which they are looking at doing in the future. Mr. Jesse noted there is a cost associated with the certification.

Mr. Wallace calculated that the grantee would end up with \$3,000 to \$4,000 a year in additional income. Mr. Jesse noted there are expenses the community will be assuming. There is also a counterpart fund for credit. They are estimating \$80 per beneficiary

family after the first year and a little over \$100 the next year. The grantees are hoping it is a stepping stone to better, increased production and income.

Chairman Salazar reiterated that this is a great project and he thanked Mr. Jesse for his presentation.

Referring back to A/S Shannon's presentation, Chairman Salazar asked Ms. Wheeler and Ms. Morrison how they think the IAF is positioned to take advantage of this new opportunity with Latin America. Are we ready to play a bigger role?

Ms. Morrison thinks we are. She noted there is a lot of interest with the Summit process. We have been able to have a presence throughout Latin America up until this point and there are some prospects for additional interest in the IAF. In addition, a number of other donors are pulling back. Private donors have had a problem with some of their endowments, so we can ramp up significantly in some countries where former co-funders are in the process of pulling out or have completely pulled out.

Ms. Wheeler said we want to continue funding strong projects and finding more and better ways to highlight the results and show people what we are doing. It is always a challenge but we can find better ways to do that.

Operations Update

Chairman Salazar turned the discussion to the Operations Office.

In response to Chairman Salazar's question about the IAF logo, Ms. Kolko said we have been asking for suggestions from staff and we are working with GPO to come up with a modification or redesign of the logo. Ms. Hodges said perhaps we can consider hiring somebody to handle the redesign. Especially with the tagline, we should have something that works well in two or three languages. Ms. Hodges noted that the African Development Foundation had their logo redesigned by a PR firm that donated its services. Perhaps the IAF's 40th anniversary is the right time to launch the new logo.

Ms. Kolko said we are working with GPO to redesign of the IAF Web site. We recently were able to assign an IAF staff member to focus on it. We are making good progress. It will have to go through a security review, and it should be ready to launch in July. The new site will include a search engine along with information on our initiatives, evaluations, the Board, legal requirements, FOIA, grant application guidelines, etcetera.

Board members were provided with a list of the new fellows for the 2009-2010 cycle of grassroots development research. Ms. Kolko said we received over 70 applications from different fields and from a broad variety of universities. Several of the fellows selected will be working in two languages: Spanish and an indigenous language.

Chairman Salazar mentioned the 2008 Year in Review which was just published. He said it was very well done and the publications coming out of the IAF are excellent.

Ms. Kolko noted this is audit season. The financial audit entrance conference will take place this week and should be completed November 15. The FISMA audit begins in May and we have been busily preparing for that. We also had an audit of our purchase card.

Ms. Kolko asked Dr. Rodriguez-Stein to talk about a new initiative on impact evaluations of IAF grant funding.

Dr. Rodriguez-Stein said we have almost perfected the monitoring of our grants through the application of the Grassroots Development Framework (GDF). We have a well-revised instrument that captures a large portion of the objectives of our grants. We conduct an orientation visit and every six months the data verifiers visit the grantees to corroborate the information submitted to us. We conclude with a project history of each grant. We convene the contractors about once a year to train, revise the methodology, and discuss the issues, challenges and opportunities in data collection.

Dr. Rodriguez-Stein said Getulio Vargas Foundation has evaluated IAF projects for the past five years. The contract ended this year and more than 50 projects were evaluated.

The IAF wants to institutionalize the impact evaluation process, and Dr. Rodriguez-Stein has begun designing a methodology. She tested a questionnaire and protocol on how to collect data in two projects in Panama: Instituto para el Desarrollo Integral de la Comarca Kuna Yala, IDIKY (PN-271), a community-based museum in an indigenous territory; and Asociación de Productores Agropecuarios Ngöbe-Buglé, APANB (PN-272), an organic coffee producers' organization. Miguel Cuevas, evaluation specialist, visited two former grantees in Peru: Centro de Investigación y Promoción Social "Violeta Sara Lafosse", CIPS (PU-497); and Instituto Regional para la Educación y Desarrollo, REDES (PU-503).

Dr. Rodriguez-Stein noted the instrument works well, but we need to make adjustments. It was a pilot and the idea is to generate a methodology and train our contractors to visit grantees five years after an IAF grant ends. The four projects that were visited are still functioning and well sustained, and the impacts in the community are incredible.

APANB has gone from exporting about 5,000 pounds of coffee to Germany in 2005, to 30,000 pounds last year. The price is given by Wall Street, so they are assured a good price, and there is no intermediary. The government departments are now getting involved to help the community in areas such as transportation, housing and education. The ramifications of that project and its increased production, in terms of services to the community, are incredible and almost impossible to measure. The connections, networks and partnerships that they have established with other NGOs exporting to Germany or other countries are impressive.

Dr. Rodriguez-Stein interviewed the project director who is now running for congress. She asked him about the greatest impact he had experienced from IAF funding. He said his organization and community were no longer invisible. He said he was running for

congress due to the support that he had gained indirectly through the grant. The confidence that the IAF gave him to manage the funds has transferred to the community. Dr. Rodriguez-Stein emphasized that those are incredible stories.

Dr. Rodriguez-Stein explained we will be collecting data four or five years after a project has ended. There are going to be challenges, for example, finding individuals or organizations that are no longer there. But we will collect great stories and specifically the impacts that IAF funding has in the lives of those people, including young people, women and the community at large.

Dr. Rodriguez-Stein and Mr. Cuevas are writing reports based on the information they collected. After revising the methodology, the next step is to convene the data verifiers and train them on how to go about doing these evaluations. It is going to take a year or two to improve and adjust the process and the system. It has never been done at the IAF before, and it is going to be a great addition to our measurement results system.

Chairman Salazar thanked Dr. Rodriguez-Stein for her report.

Mr. Vaughn said that these types of success stories are a great marketing tool, particularly this year with our 40th anniversary. If we can highlight them to the public, perhaps getting some press about successful projects that we have funded, it would go a long way to promoting our cause and hopefully result in higher funding.

Ms. Kolko said that in a three-year project it is challenging to truly show impact. We can show good outcomes five years after the project ends, but sometimes the community is no longer together. Ms. Kolko noted that the projects in Panama and Peru were selected because we knew that they were successful. They are not all going to be successes, but we are focusing on the success stories. Mr. Vaughn agreed we should highlight the successes in our marketing.

Dr. Rodriguez-Stein said the process will also help us to improve the orientation visit, the documentation during the implementation of the project, and the project histories. All of these are inputs that will help us conduct a good impact evaluation four or five years after a grant ends.

Ms. Hodges noted that Getulio Vargas conducted a large-scale impact evaluation on Brazil. The report included a lengthy executive summary and we asked Marcelo Neri from Getulio Vargas to prepare a two-page document of the highlights which we are going to use for marketing purposes.

Mr. Wallace asked what we are going to do with the information found in the 50 projects evaluated by Getulio Vargas.

Dr. Rodriguez-Stein said the plan is to draft a scope of work to have an outside advisor analyze the 50 evaluations and extract lessons learned in the last 10 years of IAF funding.

Those will be used with Congress, for our publications, the Web site, and to disseminate at events.

Mr. Wallace agreed that we should highlight successes in our marketing, but we learn as much from our failures as we do from our successes. Dr. Rodriguez-Stein agreed. She noted that the difficulty is a practical one; we need to have the infrastructure and the context to know where the grantees have moved. There are logistical challenges in finding the grantee and collecting the data.

Dr. Rodriguez-Stein said the process with Getulio Vargas during the five years of evaluations generated and facilitated great discussion with the Program Office, and it has been a good learning opportunity.

Chairman Salazar asked for more information on the two projects in Peru. Dr. Rodriguez-Stein said CIPS focused on agricultural production and REDES supported women-managed microenterprises by providing credit, training and technical services.

RedEAmérica

Chairman Salazar asked Amb. Palmer if he wanted to add anything to the discussion on RedEAmérica.

Amb. Palmer said in the past the focus of RedEAmérica was the country nodes and then the internationalization of the network. Amb. Palmer noted that the Brazilians want to work with Brazilians, the Colombians want to work with the Colombians, and certainly the Peruvians and the Guatemalans are starting out at home. In addition, we previously had a RedEAmérica template and are now beginning to move to where we individualize our RedEAmérica projects. The RedEAmérica initiative is there, but as different projects adopt different aspects, there is going to be some variety. We have always had a corporate outreach program. A question that has come up is whether it is necessary to meld these into one and say everything that has to do with corporate development and corporate outreach is RedEAmérica. Or do we carry both? Amb. Palmer would like us to start thinking about those questions. He asked Ms. Wheeler to discuss the topic further.

Ms. Wheeler highlighted the issue of language and terminology. In the early 2000s, we talked broadly about corporate outreach and corporate partnerships. As RedEAmérica became more consolidated and more intense, we talked about any sort of corporate relationship as falling into the RedEAmérica network. Sometimes that limits our thinking on the range of relationships we might have with corporations or corporate foundations. It is a subject that we have discussed. Are we really talking only about RedEAmérica and do we want to keep framing everything in that structured context? Or are we really talking about corporate partnerships and relationships in general as we move forward? It may continue to encompass the RedEAmérica members and networks, but is not limited to it.

Chairman Salazar said it seems to be evolving based on experience. He asked for Board member reactions.

Amb. Dodd said he would leave things alone, work with both, and see where it takes us.

Mr. Wallace said the answer to the question is where do we want to go with RedEAmérica? That ultimately will have an impact on what we do right now. Mr. Wallace does not think that we should say unless a group belongs to RedEAmérica we are not going to work with them. There are always going to be corporations and other groups that for whatever reason do not want to join RedEAmérica, so we have the flexibility to work with anybody.

Mr. Wallace noted that we have spent time, energy and money branding RedEAmérica. If we ever get to the point where there are other US corporations or foundations that do not have an active presence that want to get involved in Latin America, it would be helpful to have RedEAmérica or some kind of institution to refer them to. We do not have to get involved in the details, but we could connect them with a network of foundations and corporate foundations that we have worked with over the years. We can testify that these groups know what sustainable grassroots development is.

Mr. Wallace said the challenge is finding out the role of the hemispheric network. He agreed with Amb. Palmer that people want to work in their own backyard. It was hard enough, even in Brazil, to get them to try co-ventures. Some of them worked and some of them did not. But there could be a lot of information exchanged and stored with the local, national networks.

Mr. Wallace stated we ought to try to figure out if there is a hemispheric-wide component such as training or certification, or some role of information-sharing or best practices that the whole hemisphere can learn from. Mr. Wallace reiterated he would not walk away from the branding of RedEAmérica. It is important and we have highlighted it on the Hill and with OMB.

Mr. Vaughn said we should do both for the time being. When he was working with North American foundations, in most cases they were reluctant to invest in a blind pool and did not want to join any type of network necessarily. The corporate foundations always have specific interests. Particularly with the economic downturn, it has been difficult to get foundations, private or corporate or otherwise, to invest.

Chairman Salazar asked Amb. Palmer for his thoughts. Amb. Palmer said when we receive a program proposal it gives us some room to evaluate which model to follow. Amb. Palmer mentioned that Nike Foundation had approached the IAF years ago to say they were interested in funding programs for adolescent females in Latin America. We had considered pointing them towards RedEAmérica. Evidently there were subsequent discussions and they decided not to proceed. Now Nike is working with International Youth Foundation and doing big things. If that opportunity presented itself again, Amb. Palmer would suggest talking with them about which one best fits the mold.

Advisory Council

Chairman Salazar turned the discussion to the Advisory Council. Chairman Salazar and Ms. Hodges reviewed the charge to the Advisory Council to determine how we might try to use the Advisory Council to get the maximum benefit. By definition the Advisory Council is supposed to advise the Board of Directors. Looking at the makeup of the Council, they are a very talented and knowledgeable group.

Chairman Salazar mentioned there is a cost associated with bringing in the Advisory Council for every Board meeting. We thought this year we would experiment with a new format. Instead of having the Advisory Council attend every Board meeting, we will invite them to attend the September 28, 2009, meeting with the charge to advise us on a specific topic. Chairman Salazar spoke with Advisory Council Chair Ambassador Jim Jones about having some Advisory Council members talk to us about regional issues in Latin America, a specific country or a theme, and the impact on the IAF and our mission. Example themes could be regional security, environmental considerations or sustainability. Chairman Salazar highlighted Advisory Council Member Wendy Paulson and her expertise in conservation.

Chairman Salazar said the idea would be to have Advisory Council members make a presentation on some area and what they think the impact is, and the Board reacts or asks questions about what they are suggesting. He asked if the Board members agreed. Amb. Dodd said it was an excellent idea.

Mr. Wallace asked if the Council would have preparatory meetings. Ms. Hodges said they would most likely communicate via e-mail. Every format will be different depending on whether it is two or three of them working together, or one person who is the subject matter expert.

Chairman Salazar said the Advisory Council would decide who the presenters would be, depending on the area or the topic. Mr. Wallace noted it is important for the Council to hear what is going on at the IAF. Ms. Hodges stated they are all going to participate in the meeting. Mr. Wallace suggested the Advisory Council should get copies of the minutes from the Board meetings.

Mr. Vaughn suggested that the Advisory Council could have a dinner with the Board on Sunday, September 27, the night before the next Board meeting. Chairman Salazar, Amb. Dodd and Mr. Wallace agreed.

Chairman Salazar noted that the last Board meeting of the year is going to be December 14, 2009. We had considered the possibility of having the meeting at UTEP. Amb. Palmer said he had spoken with Dr. Diana Natalicio about a meeting there in the fall, but now that the meeting date is for December we will need to confirm. If the meeting cannot be hosted there in December, perhaps we could negotiate with them for a future meeting.

Board field trip

Chairman Salazar turned the discussion to the Board site visit.

Ms. Morrison said we are organizing very exciting trip to Montevideo and Buenos Aires. The idea behind the trip is to focus on some of the synergies between those two cities and also to give the Board the opportunity to do some rural visits in Montevideo in addition to urban projects in Buenos Aires. We are looking at a June 23rd evening departure, arriving first to Montevideo, staying there until Friday the 26th, and then heading to Buenos Aires for the remainder of the weekend.

Amb. Palmer said that Amb. Dodd had mentioned when he was ambassador in Uruguay, the then-mayor is now the current president. Perhaps we can start working with the Embassy to see if we can get a courtesy call for the Board of Directors with the president.

Ms. Hodges said the Program Office is putting together an itinerary. As time draws near and the schedule gets finalized, we will be sending that out to the Board.

Meeting adjournment

The Chairman adjourned the meeting at 1:32 p.m.

Minutes of the Meeting of the Board of Directors
Inter-American Foundation
September 28, 2009

The Board of Directors and Advisory Council of the Inter-American Foundation (IAF) met at 901 N. Stuart Street, Arlington, Virginia, on September 28, 2009. Board Members present were John P. Salazar, Chairman; Thomas Dodd, Vice Chair; Kay Arnold, Member; Gary Bryner, Member; and Jack Vaughn, Member. Advisory Council members in attendance were Chair James Jones, Vice Chair Wendy Paulson, Peter Beck, Rita DiMartino, Elena Echavarría, Kathryn Hochstetler, Diana Natalicio, Anita Perez Ferguson, Cynthia Radding, Renate Rennie, and Dumas Siméus. IAF staff members in attendance were Larry Palmer, President; Jennifer Hodges, General Counsel; Judith Morrison, Regional Director for South America and Caribbean; Jill Wheeler, Regional Director for Central America and Mexico; Emilia Rodriguez-Stein, Director of Evaluations; Pam Palma, Director of Information and Management Systems; and Cindy Soto, Executive Assistant.

ADVISORY COUNCIL MEETING

Call to Order

Chairman Salazar called the meeting to order at 9:10 a.m.

Chairman Salazar explained that members of the Advisory Council were asked to give presentations on Mexico (Amb. Jones), Colombia (Ms. Echavarría), Brazil (Dr. Hochstetler), and Honduras (Amb. Palmer and Amb. Dodd). The idea was to give some oversight as to what is happening in each of those countries and the implications for the IAF mission.

Mexico

Amb. Jones said Mexico is going through a rough period and the economy is the worst since probably the Great Depression. The government says there will be about a six percent decline in GDP this year; Amb. Jones estimates a drop approaching 10 percent for the year. There will be a drop in consumption of between seven and eight percent. The good news is that beginning in July, the month-to-month figures have shown improvement even though the year overall is still down. Amb. Jones commented the banking system in Mexico is better than the US banking system and that is partly because they built up their reserves, some of them around 15 percent, which means they were not loaning money. The president is going to try to get them to loan money in order to get the economy moving again.

On the security side, when President Felipe Calderon declared a war on the drug organizations after he came into office three years ago, he meant business. President Calderon took after them with the military, the best of their institutions in terms of public confidence. There are roughly 45,000 military in about eight states, in mostly the border and northwest part of Mexico. In the last three years approximately 13,000 people have

been killed as a result of the drug wars. Between 90 and 95 percent of those killed are members of drug organizations; about four or five percent are law enforcement and military; and about one percent are innocent civilians.

Even with those kinds of statistics, Amb. Jones said it does appear that the war on drugs is succeeding. They have been toppling the heads of the various major drug organizations and extraditing them to the US in large numbers, which is something that had never been done before. The problem with removing drug leaders is that everybody fights for the head. In the process, the drug organizations re-form and those who lose out in drug trafficking go into other lines of business like extortion and kidnapping. One of the side effects is that small businesses are closing up and many of them are moving to El Paso and other places across the border.

Amb. Jones said that up to this point, public support for those efforts has held up rather well. By the end of this year, President Calderon plans to replace about 10,000 of the military with elite law enforcement officials who have received special training. If the public support continues, Amb. Jones believes that sometime in the next five to 10 years they will not have defeated the drug organizations, but they will have moved them out of Mexico to the Dominican Republic, Central America, and the Caribbean countries. As long as the demand is as rich as it is, there are going to be business people providing the drugs.

The combination of the security and the economic problems led some journalists to say Mexico is on the verge of becoming a failed state. Amb. Jones said it is far from that. In some of the states in the northwest, at some local levels, the drug organizations run the governments but it is not a failed state in any sense of the word. Amb. Jones highlighted two reasons that is not happening or will not happen. One is that Mexico is a conservative country and not a radical state. The second is that in the last few years they have created a much better social safety net through a program called Oportunidades, which has kept those on the lower end of the economic spectrum from doing radical things. Twenty years ago Mexico was one of the most closed economies and one of the most closed political systems in the world. Today it is one of the most competitive democracies and one of the most competitive market systems.

Amb. Jones said Mexico still needs a lot of reforms. When President Calderon came into office he tried to reform the energy area and made some moderate gains. There have also been legal reforms, moving away from the opaqueness of the legal system and into a much more transparent system with jury trials. They tried to reform the fiscal system. Mexico gets the lowest percent of GDP collected in tax revenues of any country in Latin America. It had been 11 percent and now they are at about 10 percent of GDP because of the economic conditions.

President Calderon has three years remaining in his presidency and his goal is to highlight the competitiveness in Mexico. A number of reforms can help open up certain sectors of the economy that have basically been monopolies or duopolies. For example, about 70 percent of telecommunications operates through the companies of Carlos Slim.

The energy sector also needs to be opened up; two government-owned institutions form a duopoly. The broadcasting sector also has a duopoly of major broadcasting ownerships. There are improvements that can be made in terms of unions, particularly in education. Another reform is to strengthen their antitrust organization, La Comisión Federal de Competencia (the Federal Competition Commission), which currently does not have authority to enforce actions against anticompetitive practices.

In terms of politics, in the midterm elections all members of the lower house were elected. The senate stays the same for one six-year term, but all 500 members of the lower house turn over. The traditional party, Partido Revolucionario Institucional (PRI), had a big victory with almost 50 percent of the chamber. The Partido Acción Nacional (PAN), President Calderon's party, had some pretty big losses but they are still the second largest party. The Partido de la Revolución Democrática (PRD), the left-leaning party, had the most losses. The issue is whether the PRI will win the presidency again in 2012. If so, they will probably win with the current governor of the State of Mexico, Enrique Peña Nieto, who is very popular. The question for the PRI is how to position itself to make sure that happens.

Amb. Jones asked what this means to the IAF. About 45 percent of Mexico's population is in poverty by international standards, and a large portion of that is in severe poverty. The three basic needs are education, health care and infrastructure. One important need is financial education, an area where the IAF might have a role. Financial education goes hand-in-hand with microfinance. Former President Vicente Fox pushed to get microfinancing into Mexico and some social for-profit microfinancing organizations have been rather successful. About 650 new organizations were created. The interest rates are roughly between 85 and 130 percent, with an average interest rate of 110 percent. A law was passed to regulate those but only about 100 of the 650 organizations registered for the law. Several of those are going under now and they are seeking government support. On a smaller scale, infrastructure is needed everywhere, particularly in the southern part of Mexico.

Chairman Salazar opened up the floor for questions or comments.

Ms. Echavarría said Colombia has been severely hit by narco-trafficking for many years. The problem with narco-trafficking is that it penetrates institutions, and it leaves a culture of corruption in the country. When Colombians look at Mexico, unfortunately they look at their own reality.

Amb. Jones said narco-trafficking became a serious problem at the end of the 1980s. There were criminal organizations in Mexico, but nothing on the order of the drugs introduced into Mexico in this big way. The law enforcement system was corrupt before and it became even more corrupt as they got involved in drugs. It has to be cleaned up, but it is going to take a long time.

Dr. Natalicio referred to Amb. Jones' comment about the resurgence of the PRI in 2012. She asked how that relates to the drug cartels. Dr. Natalicio noted the common thought is

that there was a tacit understanding among the PRI that the drug cartels could operate as long as they were not too obstreperous.

Amb. Jones commented it is a significantly different PRI than it was 20 years ago, when the president was much more powerful than today. The PRI was much more powerful as well. They controlled the intelligence gathering and there was a certain understanding that things could only go so far and they did not have to worry about the rule of law in terms of severe penalties. That is not the case today and as democracy and rule of law have changed, the PRI has changed. Some members are trying to make reforms that would call for reelection, which is going to change the mental attitude. Right now members of the PRI who are in the congress do not need to worry about what the people think; they need to worry about what the political party leaders think. If there are reelections, they suddenly switch their mindset and wonder how to be more responsive to the people as opposed to the party they represent. Some of the PRI leadership, particularly in the senate, is taking the lead in making those changes. Amb. Jones does not see going back to the historical role of the PRI, but time will tell.

Dr. Radding emphasized two points. The elections this summer came off peacefully and were well done, but were hardly mentioned in the US press. The fact that the PRI has made gains is an electoral comment.

As far as the price of the drug trade, for many people there is the fear of Mexico repeating what happened in Colombia. Mexico can learn from Colombia from some of the things they have done recently. It is important to underscore, as Amb. Jones mentioned, that the market is in the US. One interpretation Dr. Radding has heard from Mexicans on what President Calderon is trying to do is that they know they cannot win the war because they do not control the market. The only thing they can do is try to break up the huge cartels and try to keep them at a manageable level. That raises the worry that instead of two or three large cartels there are dozens of them fighting to be head. The other issue is whether President Calderon can pull off replacing the soldiers with trained policemen. Once they get the soldiers out of the barracks, how do they get them back in? Hundreds of soldiers are armed to the teeth, patrolling the streets and their conduct has been very much protested by Mexicans.

Amb. Jones said he worries less about getting the military back than the tough enforcement of the drug organizations. Mostly they are ex-military but they are basically from the ranks. It worries him that more of those could defect. Amb. Jones does not worry about the military leadership wanting to go back to the barracks. The drug wars are not something that they would prefer to do. They enjoyed their reputation as the only institution in law enforcement that has a high public opinion in Mexico. They wanted to keep that but they see it chipping away because of the drug war. Amb. Jones thinks the leadership of the military will be very glad to go back. The problem is they are going to have to pay and treat the new group as professionals.

Ms. Perez Ferguson said in terms of the IAF's program areas, on one end Carlos Slim and others who are at the top of the heap, financially, are experiencing more regulation and

breaking up some of their large business interests. On the bottom end of the business cycle, small businesses are dissolving because of the changing tax base and the infrastructure problems. What is left is the middle brand. If the IAF is looking for business partners who can assist with development efforts focused on financial education, what layer should potential friends and partners target?

Amb. Jones said with the broad middle class in Mexico there is less opportunity because they are scrambling to stay in middle class. Amb. Jones suggested approaching the high or the low. There is need in the lower income areas, if the IAF can identify responsible organizations or leaders. At the high end, Amb. Jones mentioned that Carlos Slim has announced a partnership with Grameen Trust where they are putting in roughly \$50 million for microfinancing to 100,000 individuals, mostly women. Amb. Jones noted that Mr. Slim recognizes the social responsibilities to protect his business relationships and suggested the IAF reach out to him and to some in that category who have done very well and who have a social consciousness.

Chairman Salazar asked Amb. Jones if the US is doing enough to help.

Amb. Jones noted the Merida Initiative includes \$1.4 billion to provide training, technical assistance and hardware of which \$500 to \$600 million has been appropriated, and \$300 to \$400 million has been sent to Mexico. Of the total amount we pledged, we have appropriated less than half, so more needs to be done. President Calderon had complained that both sides of the border were lax about guns and cash going back to Mexico. That is how the drug organizations are better equipped and have more money to spread around than the government does. It is coming from the US by and large. As a result, over the last few months the US has increased efforts to interdict and watch for guns. The US is helping, but more could be done. Amb. Jones said what he sees is missing in southern Mexico, and in much of Latin America, is the sense that there is no opportunity for their kids and grandkids. Amb. Jones suggested that massive support for education, the delivery of healthcare and the development of infrastructure would be important when looking to the future.

Amb. Jones was asked to co-chair with Judge William "Bill" Webster the Southwest Border Task Force, which is about to issue recommendations to improve the security and the efficiency of commerce at the US border with Mexico. They have been looking at trying to make the border a desirable place to be in the long term. It takes massive amounts of support for R&D, alternative energy, new ways to deliver water, etcetera. If they create wealth at the border, they will make sure they do not have the bad elements there.

Ms. Wheeler said she was particularly interested to hear that Amb. Jones highlighted microfinance in the context of financial education. That is important for the IAF to think about. We have had some pretty successful large scale projects in Mexico in the past several years. We need to look carefully at whether we are focusing on making credit available or increasing financial literacy. Of the seven new projects we funded in Mexico last fiscal year, two focused heavily on microfinance. One was a large scale program in

the state of Hidalgo and another project was a smaller scale component in a municipality on the coast of Oaxaca.

Amb. Jones agreed financial education is a big need, and he also suggested focusing on women throughout Latin America.

Ms. Paulson said when looking at Mexico and other countries, we should not forget that conservation and the environment is another dimension of the big picture. It is woven into education, health care and infrastructure. If the natural infrastructure, including the forests and the waters, is in bad shape, that creates real problems regarding sustainable livelihoods. Ms. Paulson suggested there probably is a role for the IAF in helping to fund projects, whether helping to nurture sustainable fisheries or supporting projects that protect watersheds. Amb. Jones said President Calderon has been in front of many of the developed countries in trying to get a serious agreement on environmental issues.

Mr. Vaughn suggested contacting Alex Counts, President and CEO of Grameen Foundation, based in Washington, DC. Amb. Palmer said we have met with Mr. Counts on a number of occasions.

Amb. Palmer noted he is concerned about profiteers moving into the area of microcredit. Even though a loan may only be for \$250, the interest rates on microcredit are huge. It can work well as long as the NGOs have the benefit of the community and the borrower in mind, but there are also profiteers who can make money quickly and put people further in poverty than they were before.

Ms. Arnold highlighted Ms. Paulson's point about the environment. Ms. Arnold said historically some of the IAF's more successful programs have been in agriculture and related to the environment, for example fisheries projects, shade tree farming, and erosion projects. Some of the ecotourism projects are also on point.

Amb. Jones suggested meeting with Mexico's environmental ministry to see how the IAF could help what they are trying to do.

Amb. Palmer recently attended the Corporación Andina de Fomento (CAF) Conference on Trade and Investment in the Americas where Principal Deputy Assistant Secretary Craig Kelly spoke. Amb. Kelly identified three of State Department's areas of high priority: social development, energy and environment, and citizen security. Amb. Palmer said he will be meeting with FRs in terms of how to think about aligning our programs.

Chairman Salazar thanked Amb. Jones for his presentation.

Ambassador Jones left the meeting.

Colombia

Chairman Salazar turned over the floor to Advisory Council member Elena Echavarría.

Ms. Echavarría began by discussing poverty conditions in Colombia. Despite high economic growth prior to the global crisis, poverty rates are still very high in Colombia. Between 2004 and 2008, Colombia had a GDP growth rate of 5.5 percent which is slightly higher than the regional growth rate of 5.4 percent. Poverty was reduced from 51 percent to 46 percent; extreme poverty was reduced from 9.7 percent to 7.8 percent, but it is still very high. From a total population of 44 million, 20.5 million are poor and 8 million live in conditions of extreme poverty. Poverty has declined in the countryside from 68.2 percent to 65 percent, but extreme poverty has increased in the countryside.

Ms. Echavarría said inequality has been the same for many years. Since President Uribe took office, inequality as measured by the Gini coefficient is 0.59 percent which means that Colombians at the top 20 percent of the scale receive 60 percent of national income. That is a very big challenge. Some of the causes are narcotraffic, guerrillas, paramilitaries, population displacement, overcrowded cities, political imbalances, and a certain degree of corruption.

Ms. Echavarría commented that the government's social programs, which are highly subsidized, have not had the expected effect. She highlighted a program called Familias en Accion (Families in Action) which aims at giving subsidies to families and keeping children in schools. The program is being evaluated right now.

Displaced populations living in large cities in Colombia have become dependent on government aid and they are reluctant to go back to the countryside. On the other hand, migration is being promoted from the countryside to the big cities so it is a vicious cycle.

Ms. Echavarría highlighted the problem of corruption at the local level. Illegal groups have been able to capture public resources at the local level and that has weakened institutions.

Colombia had its own financial crisis in the late 1990s during the administration of Andrés Pastrana. At that time financial and banking reforms were promoted and implemented and it led to a strong financial system. But the main pillars of the Colombian economy – industry, exports, consumption, remittances from abroad and private foreign investment – have been severely hit by the global crisis. Colombia has had three consecutive periods of negative growth, with -0.5 percent growth in the second quarter of 2009. The unemployment rate is very high, increasing by 12.6 percent. Without going into the details of the conflict with its neighbors, about 1 million jobs have been lost in Colombia because of trade restrictions with Venezuela and Ecuador.

As far as the effect on the grassroots, Ms. Echavarría said conditions were already precarious for low income families even before the crisis but collective capabilities could further deteriorate.

Ms. Echavarría said microcredit is available more than ever through government programs such as La Banca de las Oportunidades and new lines of credit that have

opened up in private banks. However, access for the grassroots is limited as they usually lack the capacity to plan and implement income generating projects. Ms. Echavarría noted that Grameen Bank is forming an alliance with the largest financial group in Colombia, Grupo Aval, which has about 33 percent of the market share. The alliance is going to open up opportunities for grassroots although interest rates are still very high and institutional changes need to be made.

Ms. Echavarría noted the importance of capacity building strategies at the grassroots level. The alliances that the IAF has fostered with the private sector in Colombia and through projects such as RedEAmérica have generated a very successful intervention model. Ms. Echavarría believes the alliance should be strengthened to allow for a better understanding of the local environment and bridge building with communities and local governments. It facilitates monitoring and promotes democracy. That is a very important challenge for the IAF in Colombia. Institutional changes are taking place in Colombia but they take time.

Ms. Echavarría mentioned a law that was just approved to allow for a referendum to ask the Colombian people if they want to change the constitution in order to allow for a third presidential period. Ms. Echavarría said it is a very delicate institutional change that could destabilize institutions in Colombia. The process could take three to four months and the presidential elections are taking place in 2010 so it is generating confusion. Ms. Echavarría commented that if there is a third presidential period, even though President Uribe has promoted exceptional changes in the country and the security conditions have been significantly improved, it could destabilize institutions which could have an impact on poverty and inequality.

Ms. Echavarría sees opportunities working with companies and business organizations that have management capabilities. Grassroots organizations usually lack the basic management skills that are needed to sustain profitable projects. The program that has recently been launched in association with the IDB, to strengthen grassroots organizations in the fight against poverty, goes in that direction. There are other examples in Colombia which would be interesting for the IAF to consider.

With regards to underserved geographical areas, Ms. Echavarría said most of the foundations that work with the IAF cover the greater part of Colombia but there are very vulnerable areas in Colombia such as Chocó in the Pacific region. Composed of an Afro Colombian population, Chocó has been severely hit by illegal groups. Ms. Echavarría suggested Chocó could be explored in coordination with institutions that are familiar with the region.

Ms. Echavarría stated her conclusion that the IAF has the capacity to multiply its impact if it continues to strengthen the alliances that it has fostered through the sharing of its know-how, through funding, and through its leadership.

Chairman Salazar opened the floor to questions or comments.

Dr. Hochstetler said she was interested in hearing more about the criticisms of the Families in Action program. Ms. Echavarría said the government has given subsidies directly to about 2 million families in Colombia, mainly in vulnerable communities that have been affected by illegal groups and paramilitaries. The focus is on keeping children at school because those vulnerable families usually keep the children home to work. The subsidies also help the families with access to health care. However, the program is being criticized because it has generated dependency. The recipients have not evolved and it has not translated into new job opportunities.

Ms. Rennie attended a luncheon last week in New York City where President Uribe spoke. Ms. Rennie said President Uribe's overview of Colombia is vastly different from that of Ms. Echavarría. President Uribe highlighted two points. First, he was pushing for the referendum on the change in the constitution so that he could seek a third term. Ms. Rennie referred to the point that Amb. Jones made about the institutionalization of the democratic process where one president can leave, another can take over, and the institutions are strong enough to maintain the momentum for fighting drug dealers and creating democratic processes. Ms. Rennie believes Colombia should look at the question very strongly and, although President Uribe is very qualified, not put into one man the progress of a country.

The other point that President Uribe made was he asked the people in the audience to go back to their congressmen and senators and ask them to promote the Free Trade Agreement between Colombia and the US. Ms. Rennie said that she personally believes that is something that should be approved by Congress.

Ms. Echavarría agreed that Colombians should look cautiously at the possibility of changing the constitution for the second time because it has already been changed once and it is not convenient for the country. Colombia is going through a moment of institutional changes and improvements. There have been significant security condition improvements and that has had an effect in the countryside and the large cities. Homicides have gone down significantly, but institutional stability is needed in Colombia. Unfortunately, the referendum does not go in that direction.

Ms. Echavarría said the Free Trade Agreement is very important for Colombia and it is a win-win situation. Ms. Echavarría thinks it would target the high unemployment rate and open up new trade opportunities. Because of the situation that Colombia has with its neighbors, there is a tendency in the region to go to the left and to create trade restrictions. The anti-American feeling is very strong in some of the countries in Latin America, so there should be new opportunities and the US is Colombia's biggest trading partner.

Dr. Radding said it was very interesting that Ms. Echavarría highlighted the Chocó region. One of Dr. Radding's colleagues at the University of North Carolina, Arturo Escobar, published an informative and scholarly book on that region where he has done field work for years. He works with groups that document and create oral histories and community maps to reclaim some of their land. They are largely of African descent. The

groups were hit with very crude violence from illegal groups as well as by the owners of large plantations of palm oil which is marketed as an environmentally friendly product but destroys the mangroves. Part of their struggle was to define an identity for themselves as with their ecological knowledge they had created and nurtured those mangrove areas. So it creates a complex situation that organizations like the IAF need to be able to discern.

Ms. Echavarría said most of those palm oil plantations are owned by paramilitary groups which have taken up the land. The government has a mechanism in order to give back the land that has been taken by paramilitary groups, but unfortunately those processes have been very slow.

Amb. Palmer said the IAF continues to monitor through many of its programs and groups what is going on in the Chocó. He noted that we do not have any active projects there because we go through the US Embassy to obtain clearance and they have not cleared us to go into Chocó. On occasion we do meet with people who come from Chocó and we try to help them get in touch with other government programs that operate in that region although we ourselves cannot go in.

Mr. Beck asked Amb. Palmer to explain by whom the IAF is restricted. Amb. Palmer said anytime the IAF travels to a country, we have to obtain country clearance from the US Embassy in country for safety or security reasons.

Brazil

Chairman Salazar turned over the floor to Advisory Council member Kathryn Hochstetler.

Dr. Hochstetler mentioned three Latin American presidents that have tried to secure a third term: Alberto Fujimori, Hugo Chavez and Carlos Menem. They stand out as having done the most to expand the powers of their presidencies beyond where they should. In that context it is something worth thinking about that President Uribe's choice is rather unusual for Latin America.

Dr. Hochstetler said it was very interesting to present third because Brazil does not fit anything that had been discussed thus far. In fact, the headlines in the Brazilian newspapers this morning said they are upgrading the growth projections for next year from 4.5 percent to 5 percent. Brazil is actually growing. Dr. Hochstetler visited Brazil for the month of June and talked to a wide variety of Brazilians. She spent a day in the Dona Marta favela and for her research talked to economists at the Brazilian national development bank. Across the board Brazilians said to her that they have never seen Brazil do this well. Even though Dr. Hochstetler was asked to talk about the crisis for this presentation, in the last quarter Brazil returned a growth and the prognosis is for even more substantial growth next year.

Dr. Hochstetler said the last six years have been fairly remarkable for Brazil. That helps explain why they are coming out of the crisis much better than many other countries. In the last six years, 26 million Brazilians moved into the middle class. The middle class is defined as people who earn between US \$7,200 to \$33,000 a year. Fifty percent of Brazilians are now in that class. Extreme poverty over the last six years has decreased by fifty percent. This is the position out of which Brazil came into the crisis, where things are a lot better for Brazil than they have been historically. Dr. Hochstetler clarified that she used data coming out of the academic community and the International Labor Organization researchers, and not government data. Inequality is down. In one of the world's most unequal countries, inequality has dropped substantially over the last number of years. There is still a gigantic gap between rich and poor, but Brazil is now a middle class country informally and in some important social ways. That shapes the way we need to think about how to do grassroots development in Brazil and other countries that are in similar situations in Latin America.

Currently the formal unemployment rate is 8.1 percent, a rate that the US would like to have. A year ago it was 7.6 percent, so unemployment has not taken a particularly hard hit in the crisis. There is a rise in unemployment and a return to strike activity on a scale which has not been seen in quite some time. Strikes are now being regularly recorded in the public sector and the private sector, which had not been the case for a decade. Generally, the picture is that Brazil came into the crisis out of some of its strongest six years of growth and huge government currency reserves. Brazil has been able to weather the crisis better than most countries. Another report that was released over the weekend said that 50 percent of the growth in income over the last year can be directly traced to government spending and government programs.

Because Brazil is a very different situation, grassroots development looks a bit different in that context. There are people in Brazil that are sliding backwards. When the unemployment rate rises from 7.6 percent to 8.1 percent, a significant number of people are sliding out of the positions that they were in, which is a more general problem across Latin America and something that we should be trying to address with our programs. Dr. Hochstetler pointed out that this is when people protest – not because their life is bad, but because their life gets worse. That is a different poverty dynamic from those that have always been poor who do not protest and are very different to work with.

Dr. Hochstetler said we might think about how to craft grassroots development programs for people who were wealthy. They tend to be people who are educated and know how to access and use credit but they do not have the opportunities to do so. Perhaps we can work with retraining programs or think creatively about people who slid out of the middle class as another class of poor people.

Brazil is now a middle class society, but 40 percent of the population is poor. As middle class societies develop, poverty problems also develop that are in some ways similar to the kinds of poverty problems that we have in the US, in that the people who remain poor in those contexts are a much tougher poor. They do not just have to be given opportunities. We should start thinking about what factors might create this tough poor.

Perhaps there are regions that are being left out of the country's growth model, or there are circumstances like race that might be keeping certain groups out of the more general opportunities. They will vary from country to country, but as Latin America has become a much wealthier region, the people who are poor are not necessarily generic poor but they might be a targeted poor.

Dr. Hochstetler mentioned some of the initiatives like the one that former Secretary of State Condoleezza Rice started, the Joint Action Plan to Promote Racial Equality, might be some of the kinds of initiatives that we would want to build on more for thinking about the hard poverty cases.

Dr. Hochstetler noted that one caveat that everybody mentioned in June is that Brazil is doing well except for the security issue. One hears a great deal about the way that drug trafficking and violence really disrupt personal, economic and social lives. It could be something for the IAF to work on as an organization. Security is an anti-economic force in addition to everything else that it is. If people are personally insecure, they are not going to want to take economic risks. We need to think about security on the very grassroots level as something that really challenges our development models.

Referring to the Families in Action program in Colombia and the Oportunidades program in Mexico, Dr. Hochstetler said conditional cash transfer (CCT) programs are now in 13 Latin American countries. As Ms. Echavarría explained, they are programs that give poor families cash in response for keeping their kids in school and immunizing them. Dr. Hochstetler suggested we need to think more closely about these programs in terms of how to organize with respect to them. Dr. Hochstetler noted that the money from these programs now goes to almost half the Brazilian population so it has become quite comprehensive. People in Brazil have said that they are having some private spillover effects. The amounts are small, between \$10 and \$30 a month, but people now have that much more spendable income than they did before.

Dr. Hochstetler noted that instead of CCT recipients spending the money, they are increasingly selling products and services to each other. If a person has \$30 a month, they can afford to spend a dollar a day buying a hot meal from somebody who is selling it at a roadside stand. There actually has been somewhat of an explosion of poor people selling to poor businesses in at least some of the places where the money is. It is also a natural marriage with microcredit because microcredit would help to provide a support base for people who are doing exactly that type of selling to their neighbors.

On the question Amb. Jones asked about who to fund or who to engage in responding to the very poor, Dr. Hochstetler suggested getting poor people to make things for each other. In terms of spillover effects, having poor people sell things to each other is a much stronger strategy than reaching out to the very rich such as Carlos Slim. It may simply be a matter of promoting or repackaging things that the IAF is already doing, but also trying to think if there are other types of projects that we could fund that would feed into the people who are getting a dollar a day from their governments.

On environmental issues, about half of the deforestation in Brazil in the last five years has been in Mato Grosso do Sul and it is on a scale that we are really not working with. Dr. Hochstetler suggested thinking about how to do projects that spur environmental initiatives in small businesses and encourage clean production. There are surveys that suggest, for the first time in Brazilian history, that there will be Brazilian markets for these kinds of products. Brazilians are willing to pay more for products that are environmentally clean.

In terms of growing priorities, Brazil has just made some major oil finds and everyone is talking about how to spend the money. There is consensus that the money should be spent on education, and we should connect to that to the extent we can. Brazil continues to have education figures that are embarrassing for a country of its wealth and for a middle class society and it needs some help.

Dr. Hochstetler closed her presentation by mentioning the 2010 presidential elections. The last three or four presidential elections in Brazil have been essentially two-party competitions. Even though Brazil has 14 parties in the national congress, it always comes down to the PT versus the PSDB which would suggest that the next election will be a race between Dilma Rousseff, President Lula's preferred candidate of the PT, and José Serra, the PSDB candidate. Dr. Hochstetler thinks that that race right now, a year out, is more open than any races had been in the recent past. It is common knowledge in Brazil that President Lula was reelected in 2006 on the strength of the Bolsa Familia recipients and not necessarily by the people who elected him in 2002. There is a correlation between municipalities with very high recipients of the Bolsa Familia program and President's Lula's electoral strength. Everyone understands the electoral appeal of a program that goes to 50 percent of a population.

Chairman Salazar opened the floor to questions and comments.

Mr. Beck asked to what extent the pressure from the government to borrow, particularly in the private sector, is still impacting the economy. At one point it was pretty intense, and it is reflected by the interest rates.

Dr. Hochstetler said the most recent interest rates are now down slightly but they are still high by global standards. They are around the highest interest rates in the world but they are now comparatively low compared to where they have been over the last decade and even longer. One of the important characteristics is that the money is not being borrowed internationally but rather domestic monies being moved around. It is going to create a lot of pressure on interest rates.

Mr. Siméus asked what the massive government spending is doing in terms of inflation. Dr. Hochstetler said it has not had any effect on inflation. Brazilians are now talking about a neodevelopmentalist model with one of its underpinnings being stability. The government has spent a great deal of money but the net inflation impact has been almost immeasurable.

Mr. Siméus said that could be a lesson for many of the developing countries in Latin America and the Caribbean. Monetary policy can in fact be used with caution and does not necessarily have to produce inflation. In order to create jobs and reduce poverty, monetary policy can be used along with fiscal policy.

Dr. Hochstetler noted that there are several different pieces contributing to Brazil's current success, not least of which is coming out of six very flush years that most of the other Latin American countries do not share. Not every country could necessarily do the things that Brazil has been able to do.

Mr. Vaughn made a comment about the direct cash payments to families. They can sometimes become long term entitlement programs; the recipients have not gained anything during the interim. Mr. Vaughn suggested it has to be more holistic. If people are receiving cash payments, at some point there has to be other programs and opportunities for them to access during that period because inevitably those programs will have to be pulled back at some point.

Dr. Hochstetler said there is by now a lot of analysis of the mechanism by which they are supposed to work. There is a new focus on capabilities development. The idea is that just by meeting the conditions of the program, people will in fact be more economically competitive.

Ms. Hodges recently attended The Inter-American Social Protection Network (IASPN) conference in New York City. With CCT programs, two things are happening. First, they are starting to link a third condition. It is not just education of children and healthcare of children and families, but they are now starting to add skills training of the adults in the families and linking them back into the work force. Also, in many of these circumstances, it is primarily a rural initiative. They are starting to see that because of the conditions put on the families and they were becoming reliant on the CCTs, they began to organize and coalesce to create a greater demand for access to services so that they could continue to meet the conditions of their eligibility.

Ms. Hodges said the IAF has someone looking at a program in Honduras. Some of the beneficiaries of a farming cooperative that we funded were recipients of CCTs. The cooperative expanded by about 300 members in a year time span. The theory is that the expansion may have been because the CCTs that some of them were receiving allowed them to buy nominally into the cooperative which now gives them collective bargaining power. Ms. Hodges said it is exactly what Mr. Vaughn said about the holistic approach. The challenge is to link those small cash payments into long term sustainable development which is exciting and interesting for what the IAF could be doing.

Mr. Beck asked about the data, particularly with the second generation. Ms. Hodges said that according to information disseminated at the IASPN event in New York, CCT programs have reduced poverty by 8 percent in Ecuador and 30 percent in Brazil; 63 million people have come out of poverty because of conditional cash transfers. There are currently about 12 million families receiving Bolsa Familia payments of about \$47 a

month. The World Bank has done research on the topic and is in the process of releasing its findings.

Dr. Hochstetler highlighted the common criticisms of the programs. One is that they create demand but not the supply. Perhaps IAF grant recipients could provide the missing supply. For example, if they are demanding vaccinations but there are no health clinics, IAF projects could provide health clinics.

Another criticism is poor monitoring of the conditions; CCTs are not achieving their hypothetical gain because the conditionality is not being monitored. Also, in some countries the money is distributed on political grounds. In Brazil, eligible recipients are given cash cards and they can go to a bank machine as opposed to having to go to a local party office. There is less political control over who gets access to the money. In Argentina, the project has been set up but there has never been enough money to cover all the people who are eligible for it. The recipients tend to be determined by their connections with local party bosses rather than whether they are the neediest. It varies from country to country.

Honduras

Chairman Salazar turned over the floor to Amb. Palmer and Amb. Dodd.

Amb. Palmer summarized the political situation in Honduras. Manuel Zelaya was elected president in November 2005 and inaugurated in 2006. Honduras has several parties but the largest parties are the Partido Liberal de Honduras (PLH), Zelaya's party, and the Partido Nacional de Honduras (PNH). Prior history has shown that they alternate.

Amb. Palmer said President Zelaya started out his presidency fairly centrist, then moved to center-left and then moved on with an agenda. He waited until five months before he was supposed to leave office. The primaries had already taken place and the candidates had been named. President Zelaya thought they should give the Honduran people an opportunity to decide if they wanted on the ballot a *cuarta urna* (a fourth ballot box) allowing for a change in the constitution. Amb. Palmer said according to Honduran law, the only body that could legitimately call for a constitutional referendum was the supreme constitutional tribunal, and they had not called for it. They advised the president it was unconstitutional. President Zelaya decided it would not be called a constitutional referendum but rather a survey and he went about to get the survey done. The congress and the supreme court said it was unconstitutional but he continued to move forward. Amb. Palmer said President Zelaya took money out of the central bank and gave it to his cabinet and sent them around the country to, in essence, buy votes to get the *cuarta urna* in place.

Amb. Palmer said in June President Zelaya continued to cut off democratic spaces. Amb. Palmer noted that the elections are executed in Honduras by the army. Leading up to June 28, the supreme court gave its last official ruling that the election was unconstitutional and they advised the head of the military he would be jailed if they

moved forward. The chairman of the joint chiefs said to President Zelaya he could not order the army to execute the election because it was illegal, and President Zelaya fired him. President Zelaya tried to promote one of his generals, but the generals, who were loyal to the chairman of the joint chiefs, also resigned. The next day the supreme court said it was an illegal action and they reinstated the general and the head of the joint chiefs. Amb. Palmer noted that the army had been staunchly behind the president but that was no longer the case. President Zelaya continued to move.

Amb. Palmer said that ballots had always been prepared in Honduras, but the ballots for this particular election were printed in Venezuela. The army was ordered to destroy the ballots and President Zelaya took a group of about 2,000 people to the warehouse and they took the ballots so the army could not destroy them.

Amb. Palmer mentioned there was a rumor that the ballots, instead of being a survey, asked if the people wanted a constitutional referendum and the appointment of a constitutional assembly. If the result was yes, then President Zelaya was prepared to suspend and dissolve the congress on June 29 and appoint a new constitutional assembly. When the opposition found out that was going on, that the military was no longer behind the president, on Sunday morning the military went to President Zelaya's home and put him on a plane to Costa Rica. Immediately the OAS came out with a statement saying that he had to be returned because it brought to mind events in the past and military coups. Then the question became whether it was a military coup, or did President Zelaya remove himself from office. The Honduran constitution said that any sitting president that tries to extend his time automatically, by virtue of that act, removes himself from office.

Amb. Dodd added that there are no provisions for impeaching a president, either, in the Honduran constitution. Amb. Dodd said what was described by Amb. Palmer highlights how restricted that constitution is. Legal scholars have asked how there can be a constitution that cannot be amended.

Amb. Dodd discussed the crisis from three themes. First: the underpinnings of the crisis in Honduras itself with the president exiled from the country, and a constitution that limits both the legislature and the executive to function certain ways. Second: the historical implications in Central America. The crisis affects the politics of one state in Central America but it is having a huge impact on the rest of the countries. In the Latin American press, there is talk about whether President Chavez is involved, El Salvador may be helping President Zelaya, Nicaragua is involved, and Guatemala is more standoffish. We are beginning to see the crisis spill over into Central America. The overland trucking traffic obstructed in Honduras is affecting all of Central America. So while everyone is looking at whether or not the president will return, this is really very serious. Third: the international community, in terms of the positive signs for the resolution of the crisis and the negative aspects of the crisis affecting the unique condition of the other Latin American states dealing with the crisis.

Commenting on the previous presentations, Amb. Dodd said it is not shocking but very significant to hear about income disparity in Colombia and Brazil and other Latin American countries. Amb. Dodd highlighted the contradictions in Honduras. Growth rates in Honduras last year were six percent, which is pretty good, but 70 percent of Honduran people live below the poverty level.

Amb. Dodd heard a comment on the radio this morning about the stability of the Honduran political system. Amb. Dodd said it makes him nervous as a historian when he hears the word stability. The press commented on the elections in 2005 and a stable political system in Honduras. Amb. Dodd noted two of the oldest political parties in Latin America – the liberal and the national party – are almost identical. Very few historians and political scientists would give much of a distinction between the two in Honduras. They work very well together. Amb. Dodd said rotation is a problem, for anyone looking at the crisis, with two political parties offering candidates and taking turns. Questions asked are what is happening in the rest of the country, and how do people participate? The answer is they do not participate or it is very hard to do so, and it becomes a contradictory political situation. There is a democracy, but is it functioning well or is it administering the institutions of the state competently and in a transparent fashion?

Amb. Dodd said the Honduran crisis reminds him of similar failures of political parties in other Latin American countries in the recent past. We can look back to the Venezuelan crisis. Costa Rica came perilously close to its two political parties collapsing. The two major parties of Uruguay – a democracy, post dictatorship – almost disappeared from the political screen in elections.

Amb. Dodd noted there are competing models for economic development in Latin America. They have been going on for 200 to 300 years. There are also competing political models. There is the Western idea of representative democracy and Latin America also has an Iberian heritage. In the last few years, constitution writers and legal scholars from Spain have been helping Latin Americans look at their constitutions. They have been asking how to make them flexible or applicable enough to deal with indigenous populations asking for more representation, how to deal with the new poorer class, how to loosen up a constitution that says a president cannot be tried for impeachable acts, and how to have a constitution that cannot amend itself. Amb. Dodd said this accounts for some of the interesting changes in the Bolivian constitution and the Ecuadorian constitution. Those constitutions are wrestling with an Iberian heritage that is basically a form of citizen participation, with interest group representation as opposed to political parties. Amb. Dodd said it goes back to the Siete Partidas of the 12th century of Castille – the seven parts of Society. The question is how to work them into a participatory democracy, taking the military, the church and working those groups into a constitutional system and a kind of collective representation.

Amb. Dodd said that is what the Hondurans have been wrestling with. That is what President Zelaya, a dissident in the liberal party, has been agitating for years. It is not something that began in June. President Zelaya has a very interesting organization called

the Social Investment Fund that focuses government action and attention on social groups and their participation and looks at how to get them in the political process by energizing at the lowest community levels. Amb. Dodd said those are the underpinnings of the crisis in Honduras. It is basically, in his view as a historian, a conflict over models for economic development and models for political participation and politics. This has been going on in just about every country of Latin America, not just in Honduras, historically. It is now occurring in a time when there are fundamental changes going on throughout the economy and the globalization of economies. It is getting more attention and the problem is becoming infinitely more serious.

As far as the historical implications, Amb. Dodd noted Honduras is the most central of Central American countries with three borders that are porous and dangerous in terms of walking back and forth across one another. Honduras has always been the battleground for Central American political crises. The region was a republic until the late 1830s. Some people call it a nation divided. Political parties and interest groups in Honduras are sometimes more closely linked with their neighboring counterparts than they are with opposition parties within their own country. The internal affairs in one state can impact the internal affairs in another. Other states have links with countries like Honduras, for example the FMLN in El Salvador. The Sandinistas in Nicaragua have a tie to the liberal wing of the liberal party in Honduras. In other words, one can pull from all the Central Americans some link to a Honduran interest group or political party. That can be advantageous for a resolution of this crisis but also a serious danger.

Amb. Dodd said another issue about Honduran diplomacy has been a proximity to US strategic interests in the 20th century. Honduras' economy is heavily linked to the US. Through the 1980s Hondurans were speaking out on trying to create some distance in the inextricable link with the US to get independence.

In terms of the international community, Amb. Dodd highlighted the Democratic Charter which all of the Latin American countries, except Cuba, signed on September 11, 2001. Former Secretary of State Colin Powell was in Lima, Peru signing the Charter when the terrorist attacks occurred in the US. The Charter commits all American states to act jointly to correct or improve conditions in another American state where democracy is threatened in one way or another. Amb. Dodd said it is operating, although slowly. For the first time in a long time, the US is part of the hemispheric unity supporting President Zelaya. What the American states have said is that they went over the line by sending President Zelaya outside the country. Most of the states have said if that gets back on track, then there can be talk about scheduling an election. Amb. Dodd said that is the key point for the unity of the democratic states of the Western Hemisphere: a country can do what it needs to do for a president who violates a constitution, but to abort essentially the constitutional process by removing that president altogether, that has to be corrected. The European Union, the UN and all the regional groupings in the Americas have spoken in condemning the removal of President Zelaya, so there is unanimity.

Amb. Dodd mentioned some possibilities in terms of resolving the crisis. Possibly the presidential candidates for the upcoming elections could be mediators. Amb. Dodd also

mentioned the Arias Peace Plan during the crisis of the 1980s, when the Central American presidents met alone with no aides or staff members. They closed the door and got the peace process going. Amb. Dodd said perhaps the Central American presidents could sit down with Roberto Micheletti and Manuel Zelaya to get the situation resolved. Amb. Dodd concluded saying it is a serious issue for Honduras and unless the Democratic Charter signed in 2001 can be applied effectively and judiciously, it could fall apart.

Mr. Vaughn asked whether the Democratic Charter was meant to be proactive or reactive. Amb. Dodd said it was meant to be proactive. It does not give the collective nations the right to interfere, but it leaves enough room to say that maybe there are economic measures or diplomatic measures that could apply collectively and jointly.

Ms. Hodges said from a Congressional perspective there is much interest in the Honduras issue. There are two very different and distinct views of the situation. Honduras presents an example of the justification of why the USG needs the kinds of tools and resources to continue to work directly with the people. There is still a reason to build relationships with the Honduran people, which is exactly what the IAF does and is continuing to do despite the fact that there has been a suspension of other types of foreign assistance directly to the Honduran government.

Asked whether the USG should recognize as legitimate the winner of the elections, Amb. Dodd noted the international community is saying in unanimity that to get things back on track, President Zelaya should return, whether for an hour, a day or a week, and then go from there.

Chairman Salazar thanked all the presenters.

The Advisory Council meeting ended at 11:42 a.m.

BOARD OF DIRECTORS MEETING

Call to Order

The Chairman called the meeting to order at 12:10 p.m.

Approval of Minutes

Chairman Salazar highlighted several follow-up items from the April 27, 2009, meeting minutes.

Chairman Salazar asked for an update on whether the University of New Mexico (UNM) may host the IAF photo exhibit. Dr. Hochstetler said she had given contact information to Linda Kolko, VP for Operations. Ms. Hodges said Ms. Kolko had been in contact with UNM and was following up.

Chairman Salazar asked Ms. Hodges about a Congressional resolution for the IAF 40th anniversary. Ms. Hodges said the resolution was drafted and there are individuals who are willing to introduce it.

Chairman Salazar asked to amend the minutes. On Page 7, when Chairman Salazar asked how the Board can help on the Congressional reception, instead of “He [Chairman Salazar] said he could get the New Mexico delegation to attend” it should say “He said he would try to get the New Mexico delegation to attend.”

Chairman Salazar mentioned he is sending out a personal invitation to each member of the New Mexico delegation, plus their chiefs of staff in Washington, for the Congressional reception. Ms. Hodges confirmed that invitations were mailed to the Board and Advisory Council.

Chairman Salazar noted Ambassador Palmer said he was going to see if we could institutionalize working with State Department on CODELS going down to Latin America.

Chairman Salazar asked Ms. Wheeler about the results of a study we co-funded on community foundations in Mexico. He also asked about what was being done with Hispanics in Philanthropy.

Chairman Salazar asked about the IAF logo and the tagline.

Amb. Dodd referred to Page 28 of the minutes. Board Member Roger Wallace highlighted the Monterrey Tech distance learning initiative and the possibility of signing on. Amb. Dodd asked about the status of that initiative.

Advisory Council member Wendy Paulson made a comment about the minutes. There was a suggestion to talk to the Environmental Defense Fund and Natural Resources Defense Council. Ms. Paulson mentioned the Nature Conservancy, across the street from the IAF, has programs with indigenous people where the IAF could have a link. Ms. Paulson suggested making connections with people there, as there may be some opportunities to collaborate.

The amended minutes were unanimously approved.

President’s Report

In his written report, Amb. Palmer mentioned that there is still talk of foreign assistance reform. Although the timing and the specifics are not known, we have been trying to be prepared. With that in mind, OGC prepared a white paper on why it is important for the IAF to continue as an independent agency of the US government. Ms. Hodges agreed that the foreign assistance reform act is still pending. Congressman Howard Berman, Chairman of the Foreign Affairs Committee, had hoped they would take it up this October but that will not occur so it is likely to take place early next year. Ms. Hodges

and Amb. Palmer met with Senator Robert Menendez's staff in the last few weeks. They are looking at the range of options with respect to the IAF and foreign assistance in general.

Amb. Palmer said we closed out our grantmaking season and funded \$17.4 million worth of new grants. The Program Office is now fully staffed with 14 Foundation Representatives. Each FR has the goal of funding a minimum of six new grants next year which would give us a minimum of 84 new grants next year.

In terms of the budget, as mentioned in past meetings, our long term goal is to try to get the IAF to \$50 million. The IAF request for FY 11 is \$30 million. Ms. Hodges noted that despite the fact that our appropriations are increasing each year, the amount of SPTF money available to us to supplement that budget is significantly decreasing. In FY 09 we had an operating budget of \$29.6 million. If we receive the appropriation for FY 10 that we anticipate, \$22.8 million, we will have an operating budget of \$28.3 million. Therefore, the overall operating budget is declining despite the fact that our appropriations are increasing.

Amb. Palmer highlighted the Board trip in June. Among the projects visited in Uruguay was one that provided homes for 28 families who had previously been living at the city's trash dump. The project provides materials for the construction of homes for those families although the labor (digging the foundation, pouring the cement, laying the brick, etc.) is done by each family. The Board also visited a group of women entrepreneurs who make a living producing jellies, jams and other delicacies. They have struck up a deal with a very successful former grantee, Manos del Uruguay, to expand their business. Among the programs visited in Argentina were two that focused primarily on providing training and opportunities for youth at risk, and another which assisted in providing natural gas to the homes of families living in one of the city's poorest areas.

In June, Amb. Palmer spoke at the XV Inter-American Conference of Mayors. With about 400 participants, the conference is a tremendous opportunity to disseminate IAF programs. Amb. Palmer attended a dinner sponsored by the mayor of Denver, John Hickenlooper, who is organizing the Denver Biennial of the Americas for the summer of 2010. Invited scholars and authors will be highlighting their relationship with Latin America. Mayor Hickenlooper has been working with Jim Polsfut, who met with the IAF during the presidential transition. Amb. Palmer said we are looking forward to working with them on that event.

Congressional Affairs

In the meeting with Senator Menendez's staff, Ms. Hodges and Amb. Palmer were told that in a time of change and growth, it is not the most compelling argument to continue to do more of the same. They were not telling us to change what we do, but there is a real call for us to come up with big ideas and bold initiatives. Ms. Hodges said we see a lot on the ground and we process information, but the question is how to loop that back in and challenge ourselves to do a better and more streamlined job.

Ms. Hodges said for FY 10 we will be operating on a one-month Continuing Resolution. The President's budget request for the IAF was \$22.7 million for FY 10 and we are on track with the Senate to get \$22.8 million. We requested \$30 million for the FY 11 budget but we have not yet received the passback from OMB.

The foreign assistance reform act has been mentioned in several Board meetings, and we have discussed our marketing points. OGC prepared a white paper covering the highlights. We were asked what the IAF would do if given additional resources. Ms. Hodges said the question is a challenge for us, internally, and the Board's guidance is necessary.

Ms. Hodges mentioned the Social Investment and Economic Development Fund for the Americas, introduced by Senator Menendez. The IAF is referenced by name in the public-private partnership portion of the legislation, calling for about \$1.3 billion to Latin America for development purposes over the next five years. There is a significant emphasis on the need to have more public-private partnerships because government resources are limited. The question is how to create alliances so that everyone is accomplishing more to break the cycle of poverty. There will be a study and a report written that specifically looks at the IAF, the World Bank and the IDB as the potential candidates to administer this public-private partnership fund. A dollar value has not yet been assigned, but through some conversations it appears they could be considering tens of millions of dollars. It has also become apparent that the reason the IAF is being considered is because of the information we have been reporting on our public-private partnerships with the RedEAmérica initiative.

At the Inter-American Social Protection Network (IASPN) conference Ms. Hodges attended in New York City, RedEAmérica's Executive Director, Margareth Florez, spoke on a panel. Ms. Florez was talking about the importance of alliances with the government, the private sector and civil society. Ms. Hodges said it was a missed opportunity because Ms. Florez did not mention the importance of the alliance with the IAF.

With regards to the IAF's 40th anniversary, on October 14 there will be a photo exhibit and reception at the Library of Congress where we plan to honor five Congressional Members: Sens. Christopher Dodd (D-Conn.), Patrick Leahy (D-Vt.) and Richard Lugar (R-Ind.), and Reps. Howard Berman (D-Calif.) and Ileana Ros-Lehtinen (R-Fla.).

Ms. Hodges mentioned we have been talking to Committee staff on both the House and the Senate side and have drafted, per their request, language for a resolution honoring the IAF and its significant contributions to improving the lives of Latin Americans over the last 40 years. It may be a joint resolution and the exact date for introduction is unknown.

The IAF signed a Memorandum of Agreement with the Inter-American Dialogue to host a series of Congressional dinners. We had been doing the dinners on an ad hoc basis and have now formalized our agreement with the Dialogue.

Amb. Palmer mentioned he would be participating in the opening of the IAF photo exhibit at the University of Texas at El Paso on October 8. He thanked Dr. Natalicio for her help arranging the exhibit.

Dr. Bryner asked about the timetable for a \$50 million budget. Amb. Palmer said if we are able to achieve that in five years, we would consider it quite a success. Ms. Hodges said \$50 million is the aspirational goal of where we think we should be and where we think we could operate. From an OMB perspective, it is not probable they would let us officially request that amount.

Dr. Bryner asked what is the message we give to Congressional staff members about what would we do if the budget was doubled. What are the priorities? Ms. Hodges said some ideas were highlighted in the white paper. One point is our monitoring and evaluation efforts. We are in a time when there is an insistence to have good monitoring and evaluation systems in place. What is the real impact? What are the lessons learned? What is being looping back and incorporated into the organization? The IAF has a great game plan currently but we need to do more in our implementation efforts to really do a better job.

The white paper also mentions green development. The IAF has been doing it for years. This is an issue where people understand the concept and the investment aspect of green development. For example, we are helping farmers convert their traditional crops into organic crops and get certified. These are the things that we should be investing more in.

Another topic is women micro entrepreneurs and the importance of talking about, and working with, women in the development context. Ms. Hodges highlighted the new Ambassador-at-Large for Global Women's Issues, Melanne Verveer, at the State Department. This new position demonstrates that the Administration and the State Department are committed to focusing on women and girls around the globe and bringing them into the development process in every aspect.

Ms. Hodges noted that during the summer a Congressional staffer visited IAF projects in Honduras. He was in the field with IAF staff and became aware of the CCT link to a farming cooperative. We started to look more into the topic. Ms. Hodges clarified that it is not necessarily the next initiative coming out of the IAF, but an example of an idea that helps to think about ways to not just give money to poor people, but to break the cycle of poverty and channel resources into sustainable development.

Ms. Hodges noted that the IAF enabling legislation includes a broad mandate that gives room for great ideas to come forth.

Chairman Salazar asked for copies of the white paper to be given to Board and Advisory Council members. Ms. Hodges distributed copies of the document.

Mr. Siméus asked if we have regular interaction with the Latin American embassies in Washington to get their input. Ms. Morrison said we have close contacts with embassies, often at a technical level. The embassies tend to do more outreach to us, particularly in countries where we have less of a presence. Mr. Siméus said it would be important to get their viewpoint because the implementation of the project will be more successful.

Mr. Siméus noted that in many situations the people in the villages do not really have a trade. He suggested the first step should be to teach them a trade, then give them microcredit. Ms. Echavarría added that teaching basic management skills is also very important.

Ms. Perez Ferguson referred to a question asked at the last meeting about how to ensure that we get the best number of Congressional members to attend IAF events. She suggested reconnecting with Secretary of Labor Hilda Solis with whom we had interacted when she was in Congress. Perhaps Secretary Solis would be willing to sign on to a letter inviting the California delegation or former colleagues to attend.

Ms. Perez Ferguson said there are representatives to the Latino celebrity stars based in Washington, DC. Thinking ahead toward some of the Congressional dinners it might be possible to have some of those celebrities attend. She said she could pass along some agent contacts and who they represent.

Ms. Hodges asked Advisory Council members to let her know their particular interests or areas of expertise, as well as topics that could be relevant to discuss at future meetings. Ms. Paulson said she would also encourage the Board and IAF staff to think about how the Advisory Council can help. Perhaps there could be a list of questions to ask, for example, how to expand our PR reach or who has contacts in a particular area.

Mr. Beck said when talking about doubling the budget, it would help to characterize the long term objectives around the impact on people. Mr. Vaughn suggested showing how many people we might be able to serve by an increase of \$10 million. Dr. Rodriguez-Stein said we can compile that information with the data already available.

Program Office

Ms. Wheeler gave a quick overview of FY 09 funding. A total of 72 new grants and 46 amendments with additional funds were awarded. In total there were 118 funding actions with \$17 million to grants.

We are continuing to fund in our traditional areas, with about 35 percent of the new grants devoted to enterprise development; 33 percent to agriculture and food production; 16 percent for education and training programs; 16 percent for youth programs; about 6 percent for environment; and remaining funds for social corporate investment, cultural expression, housing, legal assistance, and research. Overall, 70 percent are going directly to some sort of income generation activities.

Ms. Wheeler highlighted our agreement with FUNDEMEX in Mexico, which falls under the RedEAmérica initiative. The IAF is contributing \$350,000 which will mobilize over \$1.2 million in counterpart. The project is focused on a subgrant fund to support income generating projects. FUNDEMEX is working to add new corporate partners to the RedEAmérica node in Mexico. Several that look most promising are from the banking sector.

Another interesting topic in Central America has been youth engagement and gang prevention. In El Salvador we awarded a grant to a group called Centro Arte para la Paz, a community center that includes a youth-led community museum that talks about the history of the war and the natural resources in the region.

We funded a good number of indigenous projects, including one in Chiapas that focuses on agricultural production for sale in regional markets to address food security needs. Other projects involve handicrafts, microenterprise and microfinance.

In Nicaragua, a grant to INCAE will help bring together 10 IAF grantees. Many of them are agricultural producer co-ops who want to focus on their marketing within Central America, as well as to the US. A series of training sessions will culminate in a trip to a marketing association produce fair in the US.

Ms. Morrison began by making some comments and remarks on the presentations by Advisory Council members.

Ms. Morrison said Colombia has recently been reclassified by the World Bank as a middle income country. She noted that there was the negative growth rate in Colombia over the past couple of quarters, which is virtually unheard of. It demonstrates that in a middle class country there are large pockets of poverty and potential opportunities for even greater poverty.

Ms. Morrison also noted the FR for Colombia, Juanita Roca, has a great deal of expertise in Chocó, the pacific coastal region that was mentioned earlier, and Ms. Roca has been doing a lot of outreach. We hope that soon we can gather new projects in that area.

Referring to Brazil, Ms. Morrison said there is a brand new project in the initial stages of consideration. The project looks at getting women into the construction industry and it has counterpart support from the private sector. In the context of CCTs and low income people supporting other low income people, this new project targets women who are coming out of informal sector jobs like domestics and entering the construction industry for the first time in their local communities.

Ms. Morrison mentioned that the FR for Brazil participated in a joint meeting of Oxfam, Ford and RedEAmérica through our new GIFE partner to look at issues of racial discrimination and the impact of race on development. These are very traditional actors in the country, and it relates to Dr. Hochstetler's point that there are sticky issues with race and discrimination that need to be addressed in Brazil.

Ms. Morrison highlighted two projects that work with issues of eco tourism. In Misiones, Argentina, there is a group of indigenous, young people who have come together to look at eco tourism and ethno tourism. They are building trails to bring people into their community to see a more authentic representation of their indigenous culture in a very high tourism area.

Another tourism project is in the Dominican Republic with a group called Reef Check. The project works with very low income communities in the coastal regions and looks at environmental preservation as a form of economic development and as an opportunity to promote sustainable tourism.

Another area of interest is looking at the middle class and especially those who slide from middle class into poverty. The challenge is in building a sustainable middle class.

Following up on a question from the last Board meeting, Ms. Wheeler mentioned the community foundations study we worked on in partnership with Mott Foundation, Ford Foundation, and Global Fund for Community Foundations. The study focused on Mexico, where we have been most active and is one of the leading countries in Latin America for the growth of community foundations. The main conclusion was that community foundations have grown substantially in terms of their assets in Mexico. They are significantly influencing the local level and are becoming much more visible. It is primarily local or regional corporations that are giving funds to be used for programs in their community in a wide range of areas like income generation, health, and education. There has been mixed success and impact. The community foundations are developing more resources and generating interest, but the impact is not necessarily as clear as we would have liked to have seen.

The study made the recommendation that funders should continue to foster dialogue and connections between community foundations, but may need to step back for a bit and encourage the foundations to talk amongst themselves. There will be a series of reflective roundtable discussions where the funders will not be engaged, but the community foundations will get together and look at where they stand and what they need, propose a strategy for the country, and the foundations will consider where to go from there.

Another finding was that the staff needs more formal training. There are currently many volunteers and a couple of staff members per organization. The report writers also made recommendations as far as a need to have a clearer and simpler legal framework governing community foundations in Mexico. Ms. Wheeler said we will continue to collaborate and see it as an important way to generate additional resources for grassroots development in Mexico, and eventually replication and dissemination throughout the region.

Regarding collaboration with Hispanics in Philanthropy (HIP), Ms. Wheeler said we have had positive meetings focused on the HIP-IAF transnational initiative, working with

migrants and their communities of origin. HIP received a large grant from the IDB, through the MIF, to fund projects particularly in this thematic area and we are looking at ways to do co-funding around this topic. Unfortunately, the MIF has put the HIP initiative on hold to conduct an assessment so things are a bit stalled.

Ms. Wheeler said another area where we have been reaching out is the environment. Several Central America FRs participated in an event in DC sponsored by the Grantmakers Without Borders network. We participated in a Mesoamerica focus group that looks at ways to partner with small donors and do some cofunding particularly around environmental projects.

Monterrey Tech has joined with RedEAmérica to create a program, certifying individuals who work in institutions as experts in grassroots development, called a *diplomado*. HSBC is one of the major supporters. They have used a portion of the resources from the institutional grant that we gave to RedEAmérica to support some of the initial curriculum development. The program was launched at the RedEAmérica meeting in August. Ms. Wheeler explained it is a training program, with a significant online component, for professionals going into the development field and staff at corporate foundations who want to learn more about grassroots development. Mexico partner FUNDEMEX has been involved in looking at the framework.

Ms. Wheeler emphasized it is important not to confuse the Monterrey Tech program with prior discussions about the IAF providing certification for groups or giving a seal of approval to organizations. The *diplomado* is basically an academic program for individuals.

Ms. Wheeler mentioned RedEAmérica held their annual meeting in Mexico with a series of panels on topics in corporate social investment. They have been looking for other opportunities and conducted outreach to get other Mexican groups involved. There were about 200 participants from throughout the hemisphere.

RedEAmérica

Chairman Salazar noted that while Mr. Vaughn had his own comments on RedEAmérica, he was also responsible for making comments that Board member Roger Wallace would have made if he were able to attend the meeting.

Mr. Vaughn said Mr. Wallace is a great proponent of RedEAmérica and Mr. Vaughn agrees with that eagerness for it. Mr. Vaughn said RedEAmérica is making progress and it is something we should not derail. We should keep firmly behind it and continue to try to get corporate foundations more involved, not only with their money but with their people.

Mr. Vaughn left the meeting.

Chairman Salazar turned over the floor to Amb. Palmer.

Amb. Palmer said RedEAmérica continues apace. We continue with our newest RedEAmérica member being FUNDEMEX; we signed agreements with Pantaleon in Guatemala and Atocongo in Peru.

Amb. Palmer noted the biggest development is RedEAmérica's *diplomado* conducted through Monterrey Tech.

Amb. Palmer said he wanted to assure Mr. Vaughn that RedEAmérica continues to be one of our priority programs, and we certainly plan to continue with it in the future.

Dr. Rodriguez-Stein noted all the RedEAmérica projects are being audited. We are collecting data from the foundations and the subgrantees, so eventually our results report is going to include a section on results of RedEAmérica projects.

Ms. Perez Ferguson said perhaps the IAF process for evaluation could be inserted into the curriculum through the Monterrey program. Dr. Rodriguez-Stein said we are willing to share our lessons learned on the monitoring and evaluation of projects. Ms. Perez Ferguson said the IAF methodology would be a great contribution.

Dr. Bryner asked how much evidence exists showing that other organizations like USAID are picking up IAF projects. To what extent can we argue that the IAF is an incubator of innovative ideas because other groups are adopting or taking over our programs?

Ms. Morrison said sometimes we fund very experimental phases of programming that other donors will not pick up because it is not a proven or tested methodology, or it does not fit into USAID's key areas of interest. Another interesting angle is looking at what we have funded that USAID would not have at the time, but they funded because the IAF did first. The project in Tumaco, Colombia, is precisely that. We are funding elements of a project that has gotten some support from USAID but not in the areas that the group would like to move forward with. They fit nicely into a standard USAID agricultural project but there is no funding for marketing, sustainability, training or management, and those are all of the areas that they would like to focus on. That is one way the IAF can add value.

Ms. Hodges emphasized the importance of impact evaluations which can show that groups have grown and developed such that other donors are now able to fund. Dr. Rodriguez-Stein said we are expanding the monitoring process and training our contractors to perform impact evaluations. The Evaluation Office has completed five impact evaluations with the goal of developing a set of indicators and methodology. The idea is to visit grantees whose grants ended five years prior to the evaluation. At the conference for contractors in November, the agenda will include the methodology for impact evaluations.

Dr. Rodriguez-Stein highlighted the initiative of working on gender issues. She has met with three expert faculty members on gender issues from the University of Maryland to share experiences. We would like the University of Maryland experts to review systematically what the IAF has done in the past, draw lessons learned, and guide us on the best way to incorporate women in development. Eventually the IAF will have a policy on incorporating women in development.

Ms. Echavarría said monitoring and evaluations are very important to the Colombian foundations that are members of RedEAmérica. It would be very useful for the IAF to share their expertise with those foundations.

Ms. Perez Ferguson suggested a talking point: IAF is the US research and development (R & D) incubator for social development in Latin America. The theme is throughout all that has been discussed, for example Amb. Verveer's new role at State Department, in terms of social development. What the IAF is doing is R & D, and that is a term that foundations or corporate interests understand. That message gives them a sense of who we are and the importance of an on-the-ground, evaluated process with real content.

Operations Office

Ms. Palma highlighted activities related to the IAF's 40th anniversary. In addition to the Congressional reception and the UTEP photo exhibit, we published a Grassroots Development journal in English and Spanish and posted it on our Web site. The journal includes articles that focus on highlights from each decade of the IAF's work.

Ms. Kolko met with the deputy to the president of Hostos Community College in New York City. The college is interested in displaying several IAF photographs for a seminar that they are hosting on grassroots development in March 2010. Ms. Kolko also spoke to staff at Hunter College of the City University of New York (CUNY) system about holding other public events that same week. Ms. Palma thanked Advisory Council member Rita DiMartino for her help facilitating these contacts.

We will be having a public program on indigenous communities and African descendants in collaboration with the Smithsonian National Museum of the American Indian (NMAI) and the National Museum of African History and Culture. That will take place some time in the winter.

In June 2010 the IAF is co-sponsoring another anniversary event with NMAI that will feature indigenous artisan work of IAF grantees Artecampo from Bolivia and musicians from Taquile Island in Peru.

Ms. Palma said final work is being done on the IAF Web site by the Government Printing Office. The site is going to have a more contemporary design, a search engine and current news stories that will be linked to full articles in major publications. Currently they are undergoing a security review to meet requirements in the Federal Information Security Management Act.

Chairman Salazar asked about the IAF logo and the tagline. Amb. Palmer said Ms. Kolko contacted a board member for the African Development Foundation (ADF) whose PR firm had worked on the ADF logo. He referred Ms. Kolko to someone who could possibly work with us on a pro bono basis. Ms. Kolko had the general feeling that if we are going to get a tagline commercially, we are looking in the area of about \$100,000 - \$110,000, given the timeline and the work that would be involved. Ms. Arnold said she could get it for less. Amb. Palmer said we put together a team of staff members to try to come up with some examples. It is an ongoing process.

Ms. Arnold said it has been some time since the book was written about the history of the IAF. She suggested it is time for another book about the IAF. It is important for history to reflect what has happened in the last 20 years. Amb. Palmer said we will put that as a priority.

Ms. Perez Ferguson suggested taking the photo exhibit and putting it on a CD with text from the 40th anniversary publication. It will live beyond the traveling exhibit and can be used for distribution and curriculum purposes. It would be a very low cost to produce the CD since we have already own the rights to the materials.

Chairman Salazar mentioned a suggestion made previously by Ms. Perez Ferguson about an op-ed piece. So much has happened since that time, in particular the Secretary of State's emphasis on development and the legislation introduced by Sen. Menendez. Chairman Salazar asked if now is a better time to write such a piece.

Ms. Hodges said the challenge is who would be the author. We do not have the staff internally to write it. Ms. Hodges suggested it needs to come from either a Board or Advisory Council member; they have the prominence in the community. Even if we were to provide background ghostwriting for someone, organically there has to be a message that is coming from someone who has the credentials.

Chairman Salazar asked if there is a downside to us stepping out and saying we can really meet a need. Amb. Palmer said the white paper could serve as a foundation for a piece. He agreed with Ms. Hodges that we need someone with the prominence and the cache to put it together.

Ms. Perez Ferguson said an edition of the New York Times magazine was devoted to *Half the Sky*, the new book by Nicholas Kristof and Sheryl WuDunn that talks about women in development. As we begin to hone our description to be able to feature the prominence of the women that we serve, perhaps the IAF photo exhibit could follow the book promo.

Chairman Salazar asked if an op-ed piece would actually be published. Ms. Hodges said it depends on the content and on what is happening in the region. While publications prefer pieces that have a cutting and provocative edge to them, there is always a funding question which might limit how provocative we can be. There are interesting things for

us to say, but we do not have the in-house capability right now. Chairman Salazar said we should pursue it and then we can decide whether we want to move forward. Ms. Hodges noted we have a wide range of partners and there is some frustration because there are missed opportunities for those partners to mention the IAF.

Future Board meetings

Chairman Salazar said the next Board meeting is Monday, December 14. The proposed date for the following meeting is March 29, 2010. Ms. Hodges said the March date can be confirmed via email so that Board members have their calendars available.

Chairman Salazar mentioned there was a possibility that the December 14 meeting may be held at UTEP. Amb. Palmer said we had mentioned it to Dr. Natalicio who is contemplating it. UTEP has a large winter graduation, but the dates do not coincide with the IAF meeting. Ms. Hodges said we need to think about the cost of having the Board meeting at UTEP.

Ms. Echavarría asked when would be the next meeting with the Advisory Council. Chairman Salazar said it will be September 2010. To not lose the momentum of the Advisory Council, Ms. Hodges said we can invite members to the events that the IAF is helping to host. We may also have the Advisory Council work in committees related to specific topics in addition to having one large meeting per year.

Meeting adjournment

The Chairman adjourned the meeting at 2:05 p.m.

Minutes of the Meeting of the Board of Directors
Inter-American Foundation
December 14, 2009

The Board of Directors of the Inter-American Foundation (IAF) met at 901 N. Stuart Street, Arlington, Virginia, on December 14, 2009. Board Members present were John P. Salazar, Chairman; Thomas Dodd, Vice Chair; Gary Bryner, Member; Jack Vaughn, Member; and Roger Wallace, Member. IAF staff members in attendance were Larry Palmer, President; Linda Kolko, Vice President for Operations; Jennifer Hodges, General Counsel; Jill Wheeler, Regional Director for Central America and Mexico; Wilbur Wright, Acting Regional Director for South America and Caribbean; Emilia Rodriguez-Stein, Director of Evaluations; and Cindy Soto, Executive Assistant.

Call to Order

The Chairman called the meeting to order at 9:10 a.m.

Chairman Salazar presented Members Roger Wallace and Jack Vaughn with mementos in appreciation for their service as Chair and Vice Chair, respectively, of the IAF Board of Directors.

Approval of Minutes

The minutes of the September 28, 2009, Board of Directors meeting were approved and adopted by a unanimous vote.

President's Report

Amb. Palmer said this has been an active quarter. After the last Board meeting, Amb. Palmer traveled to Santiago, Chile. He visited RedEAmérica members Fundación Microfinanzas y Desarrollo (FMD), Corporación Sociedad Activa (CSA) and Forum Empresa. All three are active and very different. FMD had entered into an agreement with a bank that has now been bought by Scotiabank. The foundation is still very active; a former minister of education is its board of directors. They are working on projects in agriculture and other areas. Sociedad Activa is particularly strong. Forum Empresa surveyed over 500 major companies in 15 different countries on the scope of Corporate Social Responsibility (CSR), attitudes regarding CSR, major advances, and strengths, weaknesses and expectations for the future. Amb. Palmer also met with the Chilean American Chamber of Commerce and participated in a radio interview.

While in Chile, Amb. Palmer met with representatives of the Flow Foundation. Their focus is education and identifying grassroots leaders and programs that are on the cutting edge to get essential qualities to kids in poor neighborhoods. They want to bring together 25 effective grassroots leaders, entrepreneurs and representatives from the private sector to identify best practices and have asked the IAF to collaborate on this conference. Mr.

Wallace asked if Flow Foundation is based out of Chile; Amb. Palmer said they are based out of London.

Amb. Palmer mentioned that Principal Deputy Assistant Secretary Craig Kelly has highlighted three areas of consideration for the Administration: social development (education, health, inclusion), energy and environment, and citizen safety. They are not unlike what the IAF has been doing for 40 years. In terms of education, there is an initiative to incorporate programs on childhood education. Amb. Palmer noted that programs that we financed early on in RedEAmérica focused on childhood education, and we are taking another look at those to better understand the relation and importance of these types of programs with respect to grassroots development.

Amb. Palmer participated in a meeting on the Joint Action Plan to Eliminate Racial Discrimination in Salvador da Bahia, Brazil. State Department representatives, including Assistant Secretary of State Thomas Shannon, officials from the Government of Brazil and members of civil society also participated. The initiative has gained interest in the context of future events taking place in Brazil such as the 2014 World Cup and the 2016 Summer Olympics. There is an opportunity to make strides and they are looking towards the future. The next bilateral steering group meeting will take place in Atlanta in the spring.

Amb. Palmer mentioned that Judith Morrison accepted a position as a senior advisor at the Inter-American Development Bank. Wilbur Wright, former Foundation Representative (FR) for Peru, is Acting Regional Director for South America and the Caribbean.

Amb. Palmer, along with Ms. Morrison and FR Kevin Healy, met at the Aspen Institute with Denver Mayor John Hickenlooper and Jim Polsfut, who served on the transition team assigned to the IAF. Mayor Hickenlooper and Mr. Polsfut are planning the Denver Biennial of the Americas for July 2010. It will include a series of roundtable discussions in the areas of education, philanthropy, public health, poverty reduction, economy, technology, and energy and climate change. We were asked to collaborate by identifying individuals to participate in the roundtable discussions. We initially thought they wanted to invite people from the grassroots level, but it became clear during the meeting that they are looking for high level participants such as ministers, former presidents or vice presidents. Amb. Palmer said it brought to mind Amb. Dodd's relationship with the president of Uruguay, Tabaré Vázquez, for example. Amb. Palmer said we would be working with them and we might consider sending a grantee or two to participate.

Amb. Palmer, Ms. Morrison and Dr. Healy met with representatives from the Global Fairness Initiative (GFI), an organization whose founding board president was former President Bill Clinton. GFI has received \$1 million from the State Department – \$500,000 for Nicaragua and \$500,000 for Guatemala – to develop public-private partnerships. Amb. Palmer noted it is trade capacity building money from CAFTA. GFI also met with Ms. Hodges who said they talked about sharing ideas.

CONGRESSIONAL AFFAIRS

In October, Ms. Hodges and Chairman Salazar had meetings on the Hill and made great outreach efforts to the New Mexico contingent. There have been several beneficial conversations that have come out of that. Next week, Ms. Hodges and Megan Fletcher, Congressional Affairs Specialist, have a meeting scheduled to discuss the overlap between IAF initiatives and the Congressional Hispanic Caucus (CHC) priorities. We are hoping that the CHC will become an even more vocal supporter and advocate of the IAF. The CHC has typically supported us because of former Congresswoman Hilda Solis' leadership with the organization. Ms. Hodges also thanked Chairman Salazar for facilitating contact with Congressman Ben Ray Lujan's office.

OGC has been working with the Inter-American Dialogue to plan more Congressional dinners. Two dinners were tentatively scheduled for the fall; however, health care and climate and energy have pushed those off until hopefully early spring.

Ms. Hodges said there are plans with the Inter-American Dialogue to hold a Congressional event on women in development highlighting some of our women partners in the region, for example, Elena Echavarría and Renata Camargo Nascimento. It could dovetail with some of the efforts of Melanne Vermeer, Ambassador-at-Large for Global Women's Issues, at State Department. Part of our strategy for the budget rollout season is to highlight what the IAF has been doing over our 40-year history to bring women into the development process. Studies and statistics show that women are the key to breaking the cycle of poverty for families and communities.

We have been in contact with Congressman Eliot Engel's office. It appears that a CODEL will be visiting Uruguay in early January, and they may possibly visit IAF grantees Manos del Uruguay and Delicias Criollas.

As far as Congressional funding, last night the Senate passed the FY2010 Omnibus Appropriations Bill which is on its way to President Obama's desk. The number for the IAF in that bill is \$23 million.

With respect to how to justify increased funding for the IAF, Ms. Hodges said the question is how we continue to say we want more money to do more of the same work we are currently doing. It is important to market some new ideas or new areas where the IAF's work is making a contribution in ways others are not. We need to show something more than just maintaining the status quo to justify requests for more money. It is a challenge. After the last Board meeting, Board Member Kay Arnold and Ms. Hodges spoke with Amb. Palmer about the idea of having a brainstorming session with a few Board and/or Advisory Council members about what the IAF has to offer and what we should be marketing.

Ms. Hodges said that pressing issues like health care, climate, and energy have caused foreign assistance reform to take a backseat. While a conversation is occurring behind

the scenes, the legislation is not necessarily moving. Ms. Hodges highlighted a couple of pieces of legislation that we should be mindful of.

H.R. 2139, sponsored by Congressman Howard Berman, is directing the President to develop and implement a comprehensive national strategy to further US objectives promoting global development. This would be on the level of the national homeland security strategy. It looks like that is getting traction. The administration has already adopted the QDDR – Quadrennial Diplomacy and Development Review – to take a consolidated look at what is happening in foreign assistance across the board. Some questions being asked are: where are there redundancies? Where can there be improvements? What programs are effective? What are the strategic investments for the next four years? That is moving along, as well as the National Security Council review of foreign assistance.

The other piece of legislation of particular interest is Senate Bill 1524, the Foreign Assistance Revitalization and Accountability Act of 2009, Senator John Kerry's legislation that had Committee movement in mid-November. The bill focuses on USAID. There is a strong belief that USAID suffered under the prior administration and that some of the key offices were removed and placed in State Department as part of the F process consolidation, which is currently still in place. There is some Congressional effort to bolster USAID's independence and internal resources. In particular, it calls for the creation of a bureau of policy and strategic planning and is taking a more macro view of foreign assistance.

Ms. Hodges noted that while those pieces of legislation are not about the IAF per se, what we are doing or not doing is relevant to the broader conversation. We should be ever mindful of what is happening in the broader context.

Senator Robert Menendez' legislation, the Social Investment and Economic Development Fund for the Americas Act, is something that is likely to have much quicker movement than any large scale foreign assistance overhaul. As mentioned in the last Board meeting, the IAF is named specifically as a potential candidate to administer public-private partnership resources. A specific amount has not been mentioned, but in our conversations with Senate committee staff there is the anticipation that it could be tens of millions of dollars. Once the legislation passes, it will call for a review of IAF public-private partnerships as well as those of the IDB and World Bank, the other two entities that are specifically mentioned to potentially administer public-private partnership funds for grassroots development. The legislation has been introduced and is still with Committee.

Mr. Vaughn asked if the Menendez legislation would envision IAF as an independent agency. Ms. Hodges said it does not address that but it would be much more difficult, particularly from a Congressional perspective, to designate the IAF to administer public-private partnership funds and then dismantle or shuffle the agency. Ms. Hodges said the legislation would likely bode well for long-term independence of the agency.

Ms. Hodges noted that the RedEAmérica initiative is why the IAF was inserted in the Menendez legislation this year as opposed to prior years when the IAF was not mentioned. There is a lot of interest in that topic. When we talk about RedEAmérica on the Hill, we talk about our successes with respect to it. While admittedly there are some challenges, we have to figure out how to move the program forward and make adjustments in its implementation if we are going to keep it. Ms. Hodges emphasized that RedEAmérica is a strong selling point for us from the Congressional point of view; Ms. Kolko said the same is true from the OMB perspective.

Referring back to the budget submission, Mr. Wallace said in the past we have tried to say there were some great projects that were in the pipeline but we did not have the funding for them. Mr. Wallace discovered that we do not have that many projects in the pipeline. He said it is very hard to make a compelling argument to OMB that we need more money when we do not have great projects that go unfunded. Mr. Wallace asked if the situation has changed at all.

Amb. Palmer said one year we received 1,800 proposals. Mr. Wallace noted that was due to a large influx from Brazil. Amb. Palmer said of those proposals, there were probably about 780 that were viable. Each year, we have probably gone down a little bit in terms of viable proposals. Amb. Palmer was in a meeting recently where there was discussion about getting FRs to make a real effort to beat the bushes and drastically increase the number of proposals we receive. Over the years, many other funders have gotten into grassroots development. In the past the IAF was probably on the cutting edge, but now USAID and the IDB have small and medium sized enterprises. Amb. Palmer said now that we are fully staffed with FRs, this year we should have a pipeline. That is one of our goals.

Ms. Wheeler said each year we are getting a little closer to having grants roll over. Until a couple of years ago, we had one fixed deadline in June or July to receive proposals and then fund throughout the year. We have been pushing hard to get on a rolling cycle so we have projects in the pipeline year-round. Ms. Wheeler agreed that being fully staffed will help. Another factor to keep in mind is that each year we try to push through all the new grant proposals so they get off the ground quickly. If we have amendments with additional funds, we may carry them over into the next fiscal year so we can approve them once we get our new budget.

Amb. Palmer said that Mr. Wallace's assertion that we have not established a big and viable pipeline is accurate, but that is certainly one of our goals.

Mr. Wright said in 2005 we received 1,800 proposals, but we did not have the funding to respond to them so that had a shockwave effect through the NGO community. People backed off and said the IAF may not be financially as viable as they thought. It has been building up over time and as we have gotten additional staff it has leveled off. Now additional promotion can bring in new and exciting projects.

Ms. Hodges said that is where the balance is. It is great to have more proposals because there is more to consider, but it takes time and effort and investment. Ms. Hodges said that if we can reach a point where we consistently have \$2 million or \$3 million worth of new projects ready that roll over every fiscal year, that is when we can make the argument and justify that we do not have enough resources. Right now we basically fund everything we intend to fund.

Ms. Kolko said we rolled over some amendments that came in too late to fund and a few new grants that were just too late in the cycle to fund, but that was about it for this fiscal year.

Amb. Palmer noted he has been hard on the FRs in terms of negotiating their budgets down. We are getting the requests for money, but there has been a real push to cut down on salaries in some of the budgets.

Chairman Salazar complimented Ms. Hodges on the Congressional Affairs effort. Since the last Board meeting, we had a successful Congressional reception at the Library of Congress and the House Resolution supporting the IAF on its 40th anniversary was passed.

Ms. Hodges said we have a lot of positive momentum working for us on the Hill right now. Congresswoman Virginia Foxx, a Republican from North Carolina, had never specifically supported the IAF but she had the opportunity to visit a couple of IAF projects on a CODEL. Rep. Foxx was one of the first co-sponsors of the House Resolution.

Chairman Salazar said in the last eight months we have made great strides but now we have to build on it. Ms. Hodges said we are about to enter the important season when President Obama's budget will roll out the second week of February. We received some positive news on a passback but it is still not the news we want from OMB with respect to the budget request that we think we need.

PROGRAM OFFICE

Ms. Wheeler said it has been an exciting time with the transition of leadership in the Program Office. She and Mr. Wright have been coordinating closely.

To recap the funding from last year, Ms. Wheeler said we funded 72 new grants at about \$17 million. FRs have been conducting orientation meetings for the new grantees. A number of FRs have started to do public outreach sessions for NGO and community group leaders to learn about the IAF and to encourage new groups to submit proposals. The FRs for Mexico have done outreach into new states where the IAF has not been as active. Some FRs in the larger countries try to reach different populations and different thematic areas to have more variety in the groups that we are touching.

The FRs are doing prescreening visits for the proposals they receive and have begun to prepare the project synopsis documents that are reviewed by the Regional Directors and the President. Once that document is cleared, the FR prepares a write-up analysis of the project strengths and weaknesses and the budget to present for a public discussion at the IAF. It is an exciting, optimistic time of the year with the new proposals coming in and FRs working with the grantees to finalize the budget details.

Ms. Wheeler said we are working with other donors to look at co-funding and have found some interesting partnerships or coordinated funding with small foundations in the US. For example, we are partnering with a small family foundation in Guatemala.

Ms. Hodges noted we are now tracking the other money that is being leveraged and brought into a project. This is a question that had come up in some Senate discussions and it will be helpful to us in making a compelling argument. We have always talked about counterpart that the IAF leverages, but in reality much of that are in-kind contributions. There are also significant dollars that come in through some of the corporate initiatives and traditional projects. Now we are trying to capture that on the front end so that we can quantify the money that we are helping bring into the development process.

Mr. Wright presented photographs of the inauguration of a community museum in Pisac, Peru in September. Fourteen different communities in the district of Pisac have come together to present ceramics, textiles and jewelry. It is a grant that we have been working on for some time that has the cooperation of the Smithsonian Institution, the national cultural office of Peru, the municipal government and the regional government of Pisac. Cusco also provided resources. Among those who attended the inauguration were the mayor, a representative of the Lakota tribe, and the community shaman who gave his blessing to the museum. The IAF was represented by Amb. Palmer, Mr. Wright, and FRs Kevin Healy and Miriam Brandao.

Mr. Wallace asked if there is a gift shop or another source that increases income. Mr. Wright said there are two forms of income. The museum will have a cover charge and there is a gift shop in which the indigenous communities can sell their artisanry.

Mr. Wright showed a chart of FY09 new grants and amendments organized by country. Brazil, Bolivia and Peru are some of the more active countries where we have a lot of grants.

Mr. Vaughn asked if we can fund projects in Honduras. Ms. Kolko said we can continue funding there. Ms. Wheeler said we have three projects that the Honduras FR had prescreened before the crisis and he is anxious to get back into the country as soon as he can. There are several more projects in the pipeline.

Mr. Wright presented a chart of the Funding by Program Area for FY09. Enterprise development received 36 percent of funding; Agriculture, 33 percent; Education and Training, 17 percent; and Environment, 6 percent. The remaining categories were

Cultural Expression, Corporate Social Investment, Legal Assistance, Health and Housing, and Research/dissemination.

Mr. Wright said the percentages hide some of the other facts involved in our funding. In addition to the global numbers, the sub-sectors are also important. The agriculture category includes environmental control and reforestation, climate change and the changing environment. Enterprise development includes adjustments to the free trade agreements and international trading opportunities. Niche marketing is also a very important component.

Mr. Wright presented a list of Programmatic Initiatives that have come forth at the beginning of the fiscal year.

Entering New Markets. There is an explosion of interest in organic chocolate throughout the world and helping to develop local production. We supported a project, Pidecafe, in northern Peru and now we have an exciting project dealing with organic chocolate in Bolivia.

Addressing Climate Change. Water and distribution of water is a major problem and we have a number of projects dealing with it. Some areas are suffering drought and others have flooding conditions, and the question is how they can develop mechanisms to trough through reservoirs and distribution systems. It also covers reforestation, especially with water management.

Preparation for the Formal Credit Market. We continue to receive many proposals dealing with credit. Many people are outside of the formal market because they do not have the documents such as credit rating. We have an interesting project in Guatemala working with credit unions to try to develop such a system there. Mr. Vaughn asked if the project would encompass the establishment of land titles. Mr. Wright said yes, and noted that there is a project in another country that deals with legalization and the actual getting of the title.

Adjustment to Free Trade Agreements. This refers to providing opportunities for grassroots groups to look for niche markets such as herbal remedies, teas or organic materials.

Amb. Dodd said the formal credit market is an important area. Ms. Wheeler said that centralizing a database can protect people from over-borrowing and borrowing from multiple institutions. Because of competing microcredit organizations, people are able to borrow from one to pay back another and get in over their heads in microcredit debt. We have projects in Nicaragua and Mexico that are very formal and large institutions that are well regulated and structured. We supported FinComun which grew into a large institution. Mr. Wallace mentioned Compartamos Banco; Ms. Wheeler said it has not been an IAF grantee, but we have seen some comparisons to them and have looked at their results.

Training for New Opportunities. Mr. Wright highlighted the RedEAmérica *diplomado*. A lot of training has gone to the leadership within the corporate foundations, but not to the technical staff and the people that do the ground work to help them broaden their understanding and perspective on grassroots development. The *diplomado* will be very effective.

Mr. Wright mentioned that in Nicaragua, as a result of centralized planning, local management is absent outside of the major businesses. We are considering an opportunity to bring business management training to micro and small businesses.

Participation in Decentralization Process. Throughout South America there is pressure to push responsibility down to the local level and there are opportunities for local participants to understand the decentralization process. We have had some interesting activities in that area.

New Technologies. Mr. Wright highlighted a project in the mountains of the central Cordillera of Panama. He noted that locations two hours outside Panama City are two centuries back in terms of technology and development. To become formalized, individuals have to have copies of their birth certificate to present to the ministry. One particular credit union has a photocopier that runs on solar power, because there is no electricity, and has made just as much money making copies as they have with their interest rates. Mr. Wright noted that he called them “new technologies” because they are unique in the area.

Ms. Hodges said we should be identifying the technologies, even if they seem simple or pedestrian to us. People talk about the digital divide, but it is not just about computers. This is a perfect example of what we should be talking about.

Chairman Salazar asked Mr. Wright to make the slide presentation available to the Board.

Chairman Salazar asked Ms. Hodges whether the initiatives that Mr. Wright listed are consistent with what Congress is looking for. Ms. Hodges said that the initiatives are well encapsulated and provide great information for how to market some of what we are doing. The issue is whether they embody one or a few projects. The formalizing of the credit sector is one example. The initiative would be if we can show what we are doing now, and in five years a group will have had marked success, participated in grantee exchanges with other entities involved in the microcredit sector, and that model has been implemented in other places.

Ms. Kolko noted we have funded grants in the past that fall within some of the categories Mr. Wright mentioned. We can work with the Evaluation Office and FRs to see what results information we have on them since there is a body of information and it is not just about one grant.

Ms. Hodges said that illustrates the challenge of looping back in so that we have an internal awareness of what is going on. We need to improve our feedback loop, internally.

Mr. Wright said there has been a lot of talk about food security. When we begin to look at it at the village and community level, we see a lot of interesting things taking place. In Panama, Nicaragua and Honduras there are galvanized steel silos that hold up to 64 bushels of grain for food consumption, but even more importantly seed control for the next year. If they are capsulated in a silo they can be protected from one growing period to another. It is a very simple, appropriate technology that is beginning to catch on and be used throughout the community.

Amb. Palmer said that at the last Board meeting, Ms. Hodges mentioned conditional cash transfers. We have not received any proposals along those lines, but this is a movement that is getting some momentum in Brazil where it is fashioned after their Bolsa Familiar. Ms. Hodges clarified that she does not expect us to receive proposals where we would be providing conditional cash transfers. It is not a vertical, but rather a horizontal relationship with the beneficiaries. For those who are already receiving conditional cash transfers, the question is how to leverage some of those resources into sustainable development rather than just for consumption. It is a challenge for us to analyze what is happening on the ground. We have received some feedback from our data verifier in Honduras and are in the process of having his report translated. We are going to have to use our own analysis to see if there is a way to help channel some of those resources into sustainable development.

Ms. Wheeler gave updates on a few other areas where we continue to work. In Mexico, we have had a series of discussions with community foundation leaders about the next phase of the process and looking at the results of the study. They are focusing on how to increase the impact and gain more participation from multiple sectors, looking at the enabling legislation supporting community foundations and sharing the lessons learned. We have been coordinating closely with the Mott Foundation, Kellogg and the Global Fund for Community Foundations. It is a good example of collaboration with other donors.

On the transnational communities initiative, this year we have seen a resurgence of interest from hometown associations investing funds in income generating projects, particularly in El Salvador and Mexico, so we are hoping to have interesting new grants in that area.

OPERATIONS

Ms. Kolko gave a budget update. As Ms. Hodges mentioned, the IAF received \$23 million in appropriated funds for FY10. That was good news because OMB had put us in at \$22.8 million. We have \$5.9 million in SPTF so we will have an operating budget of \$28.9 million in FY10. The operating budget in FY09 was \$29.6 million. Ms. Kolko said we are good stewards of our resources. As grants or contracts end, if there is any

money that had not been obligated, we de-obligate funds, or take funds away from that particular contract or grant, they can be used again if the money is still good. We have SPTF we can use forever and our money is two-year money so that means we were able to re-obligate money. Last year we re-obligated about \$800,000 that went to the grant program.

For the FY11 OMB submission, we requested \$30 million and initially they had given the IAF \$22.1 million, which was a five percent cut from the FY10 mark. OMB then straightlined us at \$22.8 million. Considering we received \$23 million in appropriated funds this year, we will probably end up with at least \$23 million, if not more, in FY11. With \$5.3 million in SPTF for FY11, we will have an operating budget of around \$28.1 million.

Ms. Kolko said OMB advised us they made an effort to try to bring all the small agencies, at least in international affairs, back to their levels for FY10. Mr. Wallace asked about the FY11 budget for the United States African Development Foundation (ADF). Ms. Hodges said ADF is receiving about \$30 million in appropriations.

Ms. Kolko mentioned an important item in the passback from OMB. They asked the ADF and the IAF to form a working group to explore organizational changes and administrative consolidation within the framework of the Presidential Study Directive 7 on US Global Development Policy, being led by the National Security Council. They are looking at all US foreign assistance agencies and how they are organized. This dovetails into the QDDR that Ms. Hodges mentioned. It will be presented to Congress as part of the foreign assistance overhaul.

Ms. Kolko has had informal discussions with Bill Schuerch, Director of Financial Management, Strategic Planning, and Evaluation at ADF. One issue is that it would be very tough to mix the regions because they are so different. Ms. Kolko and Mr. Schuerch think there would be savings of no more than \$1 million a year if we tried to do some kind of administrative consolidation. Ms. Kolko noted that OMB likes the IAF model of contracting services from the Bureau of the Public Debt (BPD) and through the National Business Center of the Department of the Interior.

Ms. Hodges spoke with Doris Martin, General Counsel at ADF. Ms. Hodges and Ms. Martin concurred that it is not likely the Administration will create a whole new entity focused on Latin America and the Caribbean and Africa, because it does not make sense to group those two regions together. A much more likely scenario is for the Administration to put forth a proposal to do cost savings and adjustments. From a Congressional perspective, rather than creating a new third entity it is much more likely they would morph IAF and ADF into the existing development entity, USAID, or possibly State Department. Ms. Hodges' concern is that the Administration could put the IAF into something else larger as a grassroots development agency. Some of our FRs would presumably rotate in as the field agents that would be focusing on Latin America.

Ms. Kolko said that if that were to happen, it would be very hard to have the flexibility and autonomy to do grassroots development.

Ms. Hodges said that has to be a part of what we do with the working group. We need to be able to demonstrate what the IAF would lose. It is not just about the money, but what we would lose in terms of process, strategy, and the way that we are able to fund.

Chairman Salazar asked Ms. Kolko where this is coming from. Ms. Kolko said some of it is our OMB examiner trying to save us from becoming a bureau of USAID. Whether any of this will ever happen is unknown. Ms. Kolko asked Ms. Hodges whether it would require new legislation. Ms. Hodges said it would. Ms. Hodges referred to the Senate bill, introduced by Sen. Kerry, which talks about bolstering USAID. While we have Congressional supporters that understand the pragmatic value of an independent agency that is able to operate the way that we do, in the grand scheme of everything else that is going on, it may not be worth the fight to stick in a rider, essentially. It would certainly bolster USAID.

Ms. Hodges noted that legislation takes a long time to move and we will have a lot of lead time if something were to come to pass. It demonstrates the tone of the conversation and why it is so important that we know ourselves and that we have a solid game plan. Chairman Salazar agreed that we have to focus on making ourselves very relevant.

In terms of the budget, Chairman Salazar said our goal is to get to \$50 million and we are asking for \$30 million. Ms. Kolko said we asked for \$30 million for FY11 and we were straightlined and got \$22.8 million. As we have mentioned in our OMB submission and appeals, the critical point is that SPTF is running out. The last collection is in 2015 and that will be used up by 2017. Chairman Salazar said he was concerned that we are barely moving. Ms. Kolko said we have gone up a little bit each year. Ms. Hodges said we are losing in SPTF what we are gaining in appropriations. Ms. Kolko said that in the next few years SPTF will go down to \$4 million a year and that is why we have been asking for \$30 million to make up for the continued SPTF loss.

Chairman Salazar asked if there was any chance Congress will step in and help us with respect to the SPTF loss. Ms. Hodges said that is what we try to do every year. OGC is working on the Congressional Budget Justification (CBJ) which highlights some of the topics that the Program Office presented. Congress is looking for a big, bold idea and we are working on that. Ms. Hodges noted that we market ourselves well on the Hill.

Chairman Salazar said when meeting with Sen. Bingaman, we mentioned the \$30 million figure and the Senator directed his legislative staff to insert that amount.

Ms. Hodges said that we have some strong allies and supporters and the momentum is moving. If we are to get the amount we request, the main concern is how to spend it. The greatest disappointment would be if we actually got the money and then we could not spend it all.

Mr. Wallace asked if that was a problem for ADF. Ms. Kolko said ADF received money because they were supposed to be making agreements with governments, but it was not realistic. Ms. Kolko said we work very hard to only carry over about \$100,000 each year. ADF carried over \$13 million that they were unable to obligate. One would never want to do that because it shows that you do not need the money. They are very mindful of that at OMB and Congress. Ms. Hodges said especially when it is two-year money.

Ms. Kolko said that is an important point for us. If we ask for and get \$30 million, we could spend it. But if we ask for \$50 million, the question is whether we are really ready, with the current staff, to use that much. We have to be realistic. Chairman Salazar said \$50 million is a long term goal. Ms. Kolko and Ms. Hodges agreed.

Mr. Wright said in the early 1990s the IAF had a \$37 million budget and 24 FRs. Amb. Palmer noted that we moved out of the English-speaking Caribbean. We have a project in Jamaica, but we used to have projects in Guyana and Barbados. Ms. Kolko said years ago we had large programs in Chile, Paraguay and Costa Rica. Ms. Wheeler added that we had fewer requirements in terms of the process. Chairman Salazar asked what caused the loss of funding. Ms. Kolko said in the mid 1990s foreign affairs budgets were cut about 35 percent across the board. In 1999, the IAF was cut to \$5 million and Ms. Kolko and other staff members provided background.

The IAF funded a group in Ecuador called COICA, a conglomeration of indigenous tribes. One of the tribes for many years had been making available to foreigners a plant called Ayahuasca, a hallucinogenic. An American, Loren Miller, took a cutting of the plant back to the US and tried to have it patented which enraged the members of COICA. One COICA member said if Mr. Miller returned to Ecuador they could not guarantee his safety. It was reported that the IAF was funding terrorist organizations, and the CIA got involved. Mr. Wright said that at the same time a team of experts looking for oil had promised to set up a clinic and a school and it was a slow process to get money to the community. A team arrived in a small plane and the tribe went out to the airstrip and surrounded them and essentially took them hostage. There was a letter of support of the community and one of our grantees was mentioned as a possible supporter. It occurred in 1996 or 1997, and the budget cut occurred in 1999.

Ms. Kolko said that now we have computer systems and databases that can give us current information on how much money we have spent. In those days, we did not have that information available. Also, our money was what we call "no-year" money so it did not expire. The IAF president at the time had us look at all our old grants and contracts that had ended to try to deobligate funds. We found \$12 million of deobligated funds and ended up with a budget of about \$17 million. Then we went up to about \$12 million and it has been growing ever since.

Ms. Hodges said they did not have support to abolish the IAF in the authorizing committee so they tried to zero us out with the appropriations committee. Board Member Kay Arnold worked with Republican Congressman Jay Dickey from Arkansas, and he inserted a \$5 million line item that eventually saved the IAF.

Mr. Vaughn asked about the role of the embassy during the episode. Ms. Kolko said it occurred before the embassies vetted our grants. Obtaining embassy clearance has made a big difference and has turned out to be an excellent system for us.

Chairman Salazar asked if OMB is aware of the fact that we are starting to lose SPTF and whether they are going to work with us on it. Ms. Kolko said we have discussed the issue with OMB on several occasions and they will only deal with it when we get to the end. Working with the Hill to continue increasing our appropriations is critical. Chairman Salazar said he was concerned we will hit the crunch at some point since we are not getting enough incrementally.

Turning the discussion to the IAF photo exhibit, Chairman Salazar asked Ms. Kolko whether she had communicated with the University of New Mexico (UNM) about hosting it there. Ms. Kolko said we made contact but did not hear back and we can follow up on the topic.

Ms. Kolko mentioned that the Smithsonian National Museum of the American Indian (NMAI) has an exhibition called IndiVisible: African-Native American Lives in the Americas and they are doing programs around the country. Perhaps we could have an event in Albuquerque, New Mexico. Ms. Kolko asked Chairman Salazar if he would be interested, and he agreed. Ms. Kolko said she would follow up with NMAI.

Chairman Salazar said he was going to meet with the Chair of the Latin American program at UNM regarding the photo exhibit. Ms. Kolko said we could do a seminar in conjunction with the exhibit.

Chairman Salazar said another possible venue for the photo exhibit is the National Hispanic Cultural Center in Albuquerque.

Ms. Kolko has had discussions with Hostos Community College in New York City through Advisory Council member Rita DiMartino. They are interested in hosting the photo exhibit and we are working out the dates. We have also had interest from Florida International University and the University of Hawaii.

Ms. Kolko asked Eduardo Rodriguez-Frias, Public Affairs Specialist, to give a demonstration of the new IAF Web site. Mr. Rodriguez-Frias presented a mockup of the new IAF Web site. He noted the programmers are using data from last April to form the site.

Mr. Wallace asked if we have done an analysis of why the IAF Web site is used. Is it mainly people who are looking for grant opportunities? Mr. Rodriguez-Frias said the site gets hits from the region and outside the region. As of a few years ago, over 80 percent of the proposals received were via e-mail. The proponents would use the electronic format that is available on the IAF Web site to download and submit. We receive the

most hits from users in the US, followed by Uruguay. Ms. Hodges noted that Congressional staff also use our Web site as a resource.

Mr. Rodriguez-Frias highlighted the pull-down menus and PDF files of publications that include photos. A few years ago a PDF was not accessible to blind people who use screen readers so there had to be an HTML version to comply with government regulations for accessibility to persons with disabilities. Now a PDF file can be coded so it can be read. A new feature is a search function that searches within the IAF Web site.

Mr. Rodriguez-Frias said we encountered delays with the security requirements under the Federal Information Security Management Act (FISMA) that regulates IT security for the executive branch of the government. The IAF Web site is being designed by the Government Printing Office (GPO) and they were going to host it, but GPO is in the legislative branch. The IT security rules are not exactly the same so we hit a bureaucratic snag. There are a handful of government agencies that can certify for another party to host a Web site for the executive branch, so BPD is in the process of certifying GPO.

Ms. Hodges asked when the new Web site will be available. Mr. Rodriguez-Frias said the security issue should be resolved in the next few weeks or by January by the latest. Ms. Kolko said we will have to run parallel Web sites for a while. We are hoping to have it ready in February or so but Ms. Kolko did not give an exact date. She added that we are keeping our current Web site up to date. Mr. Rodriguez-Frias noted that we get audited once a year to make sure we comply with FISMA.

Amb. Palmer said IT security is an area of frustration for him. We do not have anything classified on the IAF system and it is expensive and tedious. Ms. Kolko said we have to be mindful that a few years ago the IAF Web site was hacked and it took a couple of months to resolve. Mr. Rodriguez-Frias said we had a big drop in proposals that year. Ms. Kolko said the IT security is frustrating, but unfortunately it is necessary. She said GPO has developed Web sites for many other agencies and they know the IT security rules that we have to follow.

Chairman Salazar said we are looking forward to the new Web site.

In terms of publications, Ms. Kolko said the 2009 annual report is moving along and we are looking at covers and the design. Perhaps it will be done in February.

Ms. Kolko said we just started working on new brochures. Chairman Salazar asked about the topics. Ms. Kolko said OGC requested brochures on the environment, indigenous populations and women. Ms. Hodges said the brochures on women and the environment are the priorities and we are trying to have those dovetail with our budget rollout for February and March. Ms. Kolko said Operations is working with the Program Office and hopefully they can give OGC some of the content that could perhaps be used in the CBJ. Ms. Hodges said they would like glossies for individuals that do not read the entire CBJ. Chairman Salazar asked when the brochures would be coming out. Ms. Kolko said they are hoping to get them out in the spring.

Ms. Kolko asked Dr. Rodriguez-Stein to provide updates from the Evaluation Office. Dr. Rodriguez-Stein gave highlights of the meeting of auditors and data verifiers in Quito, Ecuador. The auditors were updated on the guidelines to carry out efficient and timely audits of IAF grants, including RedEAmérica, and they shared experiences. The data verifiers focused on updating the indicators. Team work among the FRs, data verifiers, auditors and country liaisons was emphasized. The group visited a grantee in Otavalo – ADIM, a microcredit project. Ms. Kolko said the original grant was under \$200,000 and now they have a credit fund worth \$800,000. We have received some great results from that project, which the Evaluation Office is sharing with other offices.

Another topic covered during the conference was the impact assessments. This past year five different evaluations were done: two in Panama; two in Peru and one in Bolivia. We asked our data verifiers, with Miguel Cuevas from the Evaluation Office, to describe the process and the results and methodology they utilized. We are looking to standardize the procedure. The Evaluation and Program Offices are developing a timeline and specific ways to do impact assessments every year. We are exploring different ways that the Program Office, OGC and entities outside the IAF can use the impact assessments. The idea is to visit projects three to five years after they have received funding from the IAF. Dr. Rodriguez-Stein said there is a wealth of information for the IAF to continue collecting in terms of what works best at the grassroots level, what methodologies work and what strategies really do development in remote areas in Latin America. From the methodological perspective, the IAF can provide a very sound process outlining and documenting the impact that our projects are having.

Mr. Wallace asked how these impact assessments differ from the evaluations done by Getulio Vargas Foundation. Dr. Rodriguez-Stein said the objectives are the same in terms of gathering impact three to five years after IAF funding, but she believes the IAF does not need to contract an expensive firm to do the impact assessment. First, it is very difficult for an outside firm to learn what the IAF does. It takes about six months or more to understand the methodologies, the procedures and what the IAF is all about. Second, we already have data verifiers who are evaluators and are well qualified and could help do the impact assessments. It is like having an insider, but independent from the Program Office, do the assessment. Another difference is that because we are already working with them, we can define the terminology and the methodology and tailor the reporting. From that perspective, it is cheaper and more comprehensive. It is a capability that we are going to be institutionalizing at the IAF.

Mr. Wallace commented that what one lacks in self-evaluation is credibility. All of the issues Dr. Rodriguez-Stein mentioned about methodology and reporting can be negotiated in a contract and the parameters can be set. The credibility of our evaluations is important when we talk to people on the Hill. We can say we have an independent, outside organization that does the impact assessments. The results may not be different, but the credibility element is an important one to consider.

Dr. Rodriguez-Stein agreed, but said the trend in impact assessments is to have an in-house unit, independent of the program activities, do impact assessments. The credibility mostly comes from the type of methodology used, how the projects are selected and the rigor in collecting the data. The procedures will be documented to make sure that the impact assessments done by the IAF will continue to have credibility.

Amb. Palmer said this will give us economy of scale. We are working with our data verifiers and we will be able to cover our programs broadly. Amb. Palmer said he understood Mr. Wallace's suggestion about an outside, independent evaluator and that is something we will continue to think about. We are bringing in an independent outsider to review the 50 evaluations done by Getulio Vargas over a period of five years. The contractor will look at the evaluations, the trends and best practices. We have not thrown away the idea of keeping an independent verifier.

Ms. Hodges said we have talked about having someone do an analysis of what the IAF's impact has been on development throughout Latin America over the course of our history. It would be similar to what Getulio Vargas did in Brazil, but on a larger scale. One reservation is that it is going to be very expensive. We have to think about whether we get something by spending that money that may be worth it ten-fold.

Dr. Rodriguez-Stein said another question is the use of the impact assessment. The IAF is so unique and in many ways different than other institutions like World Bank, USAID and IDB. We do not have the resources to use on that type of initiative. Also, when there are outside evaluators, the learning is compromised. Dr. Rodriguez-Stein said the best way for the IAF to move forward its methodology of grassroots development is by learning from its own grantmaking process. The way to learn from that process is to establish the procedures for doing impact assessments together with the Program Office, not separately. Otherwise we will have many reports that nobody reads and their uses are very limited. We can have credibility with Congress or outside entities, but what about in-house? A second step will be to have the comprehensive reports reviewed once a year to see what we have done in terms of impact assessments.

REDEAMÉRICA

Chairman Salazar asked Amb. Palmer to tell the Board where we are with respect to RedEAmérica and recommendations on the future relationship with the IAF.

Amb. Palmer said RedEAmérica has grown. In 2003 there were 14 members; when Amb. Palmer assumed the presidency in 2005, there were 48 members; and there are currently 64 members in 11 countries. The network has identified a strategy for expansion into new countries: El Salvador, Nicaragua, Honduras, Costa Rica, Panama, Bolivia, Paraguay and Puerto Rico.

Amb. Palmer recently spent time with members of RedEAmérica's executive board, including the president Paul Velasco, at the VII Inter-American Conference on Corporate Social Responsibility (CSR) in Uruguay where the IAF sponsored a breakfast with over

80 people in attendance. RedEAmérica executive director, Margareth Florez, spoke in addition to Mr. Velasco and Amb. Palmer.

RedEAmérica received a grant from the Multilateral Investment Fund (MIF). The MIF will invest approximately \$4.8 million and RedEAmérica members will match that with about \$3.6 million, for a total of about \$8.4 million for five years to fund income generating projects in Brazil, Argentina, Guatemala, Colombia, Ecuador, Mexico and Peru. There will be approximately 200 beneficiary families, 80 grassroots organizations will receive funding and approximately 750 grassroots organizations will receive training and assistance. Mr. Wallace asked to confirm the number of beneficiary families because 200 seems rather low. Amb. Palmer said we would ask for clarification. [The Program Office later confirmed that the number of beneficiary families is 2,000.]

Amb. Palmer said our early investments in RedEAmérica have taken root and they are beginning to flourish at this point. The IAF is thoroughly invested. About two years ago we decided that we would fully incorporate RedEAmérica into the Program Office and each FR would be responsible for monitoring not only his or her regular IAF projects, but also the RedEAmérica projects. Now they are fully incorporated on a country by country basis. The FRs monitor each grant and we are working to do impact evaluations on them. Amb. Palmer distributed to Board members a report published by RedEAmérica which includes biographies of the members, the organizations, and information on their forums. In terms of RedEAmérica itself, the organization is healthy and doing well.

Ms. Hodges emphasized the importance of being able to say why RedEAmérica is a good investment for the IAF and why RedEAmérica partnerships with the IAF are good for the individual corporate partners. We are starting to have some understanding of that but we need to have some clarity, especially if we are going to be looked at as a potential model. We need to be able to answer those two simple, straightforward questions. We had moved away from some of the standardization and hopefully the *diplomado* is going to bring some of the core tenets and the standardization back to RedEAmérica.

Amb. Palmer said the *diplomado* is one of the primary areas of focus for RedEAmérica right now. When he spoke with Ms. Florez and Mr. Velasco, they were very excited about it. In the early years the network developed a body of knowledge on how to invest in grassroots development and the intent was to spread the knowledge as best possible. Now it has been put into an online course, the *diplomado*, to be implemented by Monterrey Tech. It consists of 110 hours of Internet instruction and 85 persons have already signed up. Amb. Palmer circulated copies of an outline of the modules.

Ms. Kolko said much of the content is based on materials from the IAF. RedEAmérica is paying for their technical staff to take the course in addition to grassroots leaders and subgrantee leaders. Much of the initial training of RedEAmérica was for the foundation leaders but they were not the ones that were really working at the grassroots. Now they are doing that and they have asked the IAF to help disseminate.

Ms. Hodges asked if we have had someone go through the course to know what we are disseminating. Amb. Palmer said the content was taken largely from detailed books that were developed early on. Much of that material was developed by Rodrigo Villar who is their director of learning. Mr. Villar worked with us for a long time. Mr. Wallace noted that we funded the materials. Amb. Palmer said we have asked them to send us the content of the course. Mr. Wallace said someone should take the course.

Amb. Palmer said that staff is unanimous in response to the question of whether to continue our relationship with RedEAmérica. Our answer is to not only continue but to strengthen and move forward in the expansion and training of the network.

Ms. Kolko mentioned RedEAmérica plans to host a CEO meeting in the spring. Isabel Noboa, CEO of Lann Nobis, spoke at the RedEAmérica forum in Mexico City and highlighted the critical issue of getting the CEOs on board with RedEAmérica so that they will give the resources to the foundations. Mr. Velasco, Ms. Noboa, Manuel Arango, and Elena Echavarría at Corona are very interested. Other possible participants are Renata Camargo Nascimento from Brazil, Lucia Herrera from Guatemala (Pantaleon) and Leonor Giménez de Mendoza from Venezuela (Polar). They would try to get those very strong women engaged and they could help contact the CEOs to invite them to the one-day meeting.

Ms. Hodges asked whether that event would be redundant to the women in development conference that she mentioned. Ms. Kolko said the event she referred to would take place in Latin America, and she understood that the women in development event Ms. Hodges described would take place in Washington. Ms. Hodges agreed, but noted that it would include Latin American leaders, many of whom Ms. Kolko mentioned, plus some Congressional, State Department and USAID participants, and members of the NGO community. We would also invite mid-level foundation representatives in addition to the women who are actually being impacted at the grassroots level.

Amb. Palmer said he saw it as the perfect combination. If we can get them all to Washington, we could take advantage of it from the Congressional side and also for promoting RedEAmérica. We could have it here as opposed to there.

Amb. Palmer reiterated that our recommendation on future relationship is that we not only continue, but strengthen and work very closely with RedEAmérica in terms of expanding.

Dr. Rodriguez-Stein said all projects we fund under RedEAmérica are now part of the auditing and monitoring process. We do an orientation visit and every six months we collect data from each one of the members. Our goal is that in the next results report we will have a section on results achieved by RedEAmérica.

Chairman Salazar asked Amb. Palmer if we will we have somebody monitor the RedEAmérica course. Amb. Palmer said yes. Chairman Salazar asked if somebody could take it by the next Board meeting in March 2010.

Mr. Vaughn asked if we are getting good buy-in from the FRs on the mandate for them to push and develop and articulate RedEAmérica. Amb. Palmer said he believes so. Some FRs are really excited about it because they want to work with the corporate sector and have experience in it. For example, the Brazil FR is doing a good job and the data verifiers and auditors had praise for her outreach efforts and the work that she is doing.

Ms. Wheeler said two of the most recent RedEAmérica grants have been in Mexico (FUNDEMEX) and Guatemala (Pantaleon). In both cases, the FRs were involved in the beginning in the discussions about the proposal and structure and were also involved in discussing the selection criteria for subgrants.

Amb. Palmer said Codespa, an NGO based in Spain, was one of the partners of the grants in Peru and Guatemala. There were some problems because Codespa had ideas for taking the projects in a different direction. In both cases, the FRs served as brokers and they have been an integral part of the reconciliation process.

Amb. Palmer noted that RedEAmérica has identified El Salvador and Nicaragua as countries that they are planning to expand into. We are planning to get our FRs in those countries to work in conjunction with RedEAmérica in terms of helping them expand.

Mr. Wallace asked how that works on a practical basis. Does the FR have somebody at RedEAmérica that they deal with? Ms. Wheeler said the FRs are always doing some outreach to corporate leaders and foundation leaders, so they will identify them and facilitate the contact with the staff at RedEAmérica. Mr. Wallace asked if there was ongoing communication between FRs and the staff at RedEAmérica. Ms. Wheeler said the communication was not so direct between FRs and RedEAmérica, but FRs and the Regional Directors, or with Juanita Roca who is dealing directly with RedEAmérica. Mr. Wallace asked if that would be for Colombia, only, since Ms. Roca is the FR for that country; Ms. Wheeler said yes.

Amb. Palmer said there was a time when we had a director of Corporate Affairs and we carried RedEAmérica on our backs. RedEAmérica is solid and independent now. We try to work with them as a partner rather than a sponsor. We cannot go to RedEAmérica and direct them what to do.

Mr. Wallace said he understood, but was thinking of cooperative issues and the institutional links as two equals and how those institutional links work. His point is that we have a lot of work to do in terms of telling the story about all the time, money and energy we have spent on RedEAmérica. We were at the vanguard of forging public-private partnerships for sustainable grassroots development in this hemisphere. The IAF does not get credit for it, and we do not tell it in a persuasive way. Mr. Wallace said the institutional relationships have changed, but we should make sure we still have strong institutional relationships in place. When we say we are going to get FRs to work with the new target countries that RedEAmérica wants to expand into, the question is how that works.

Amb. Palmer said that, as noted in the last Board meeting, Ms. Florez was invited to speak at a meeting in New York and she did not mention the IAF. Advisory Council member Elena Echavarría later called Ms. Florez to suggest giving credit to the IAF because it is that kind of credibility that helps the agency. Amb. Palmer spoke with Ms. Florez in Uruguay and she said that in future forums the IAF would indeed get credit.

Ms. Hodges said that illustrates the two simple questions that we need to be able to answer. It is important for a corporate partner to say why they want to enter into a RedEAmérica agreement with the IAF, as opposed to a traditional cooperative agreement. What is the advantage to pursuing the RedEAmérica route? One advantage to the IAF is that they typically leverage more money and they are standardized so the length of time to clear them should be shorter. However, what is still not clear is why that is attractive to corporate partners.

Amb. Palmer said that while he tried to emphasize RedEAmérica's high points, there are still some very low points as far as he is concerned. He expressed frustration that RedEAmérica does not focus on projects and instead pays for travel expenses. Ms. Kolko and Ms. Hodges disagreed. Amb. Palmer said perhaps that was a little extreme, but emphasized that he would like to see more interest in projects. When Amb. Palmer joined the IAF, he was told that RedEAmérica was a way that we could fund small projects for up to \$20,000 and he would like to see more effort going to accomplish that. Amb. Palmer understands and agrees with the expansion efforts and the education component, but the IAF is a grant-making organization. That is what we have been doing for 40 years and that is the foundation of what we do.

Chairman Salazar noted that he understood that Amb. Palmer's concern is that too small a portion of the money is used for grants and more goes to administration.

Ms. Kolko said that one reason why it made sense to move the RedEAmérica cooperative agreements into the Program Office because now the FRs can monitor them. The Evaluation Office conducted a rapid assessment of corporate programs in Colombia, Chile and Ecuador and the results showed that there were some very interesting subgrants. Some of the corporate foundations and companies that we signed agreements with really did not understand how to get things going. Now that they are with the FRs we are seeing some progress in that area. The monitoring and data verification will help to provide good information.

Ms. Kolko said she understood Amb. Palmer's frustration because so much of our money initially seemed to be going into institutional strengthening, but we are beyond that now. Ms. Hodges noted there is some institutional maintenance and that is part of what is attractive to companies.

Ms. Kolko said that corporate partners may agree that the IAF is a reasonable partner to work with when compared with others. Ms. Kolko said she will continue to defend

RedEAmérica. The network's president and executive director are going to make major strides and there are a lot of good systems in place.

Chairman Salazar said that, based on the comments, it appears the IAF staff feel strongly that we should go forward and build on our relationship with RedEAmérica. Chairman Salazar asked the Board members for their thoughts.

Dr. Bryner asked how confident we are that the money spent through RedEAmérica is better spent than if it was spent directly, through a cooperative agreement. It is true there is a multiplier, but how much of that multiplier is going to things that we may not care about?

Amb. Palmer highlighted the last three agreements we signed. As far as he is concerned, FUNDEMEX is a model agreement. In the Guatemala agreement, there is very little overhead and IAF staff is on the selection committees when the subgrants are made. The same is true in Peru. The incorporation of the FR into the process ensures that the money that has been put aside for projects is going to be implemented.

Ms. Kolko said we have been auditing the projects from the beginning and that has been helpful to identify any audit problems. The data verification is also helpful.

Ms. Hodges said it is important to keep in mind the original purpose of RedEAmérica. What are they supposed to do through the network that we cannot do as the IAF? As Ms. Hodges understands it, the answer is that they can fund much smaller grants than the IAF is capable of funding on a regular basis. It is scalability. When we fund smaller grant organizations over a shorter period of time, the theory is that we are helping small community organizations find a larger voice and become eligible for more grant funding.

Chairman Salazar asked if they are leveraging our money at a ratio of two to one. Ms. Kolko agreed and said they are also learning about grassroots development.

Mr. Wallace emphasized the large educational component with the technology transfer of 35 years of experience being put into a diploma that can be accessed on the Internet. There were a lot of people who did not understand what grassroots development really was.

Dr. Bryner noted that part of the theory is that income generating projects are more likely to be successful if there is buy-in from local corporations because they are going to be better at helping local groups figure out how to become successful entrepreneurs.

Ms. Kolko said the average IAF grant period is three years but a company can become a partner for a longer period of time, which is positive for both the community organization and the company. Dr. Rodriguez-Stein added that RedEAmérica can reach geographic areas that the IAF cannot. For example, Minetti and Arcor are able to fund small projects throughout Argentina.

Amb. Dodd asked for clarification on the role of the FR in country. Ms. Wheeler said the FR will be monitoring RedEAmérica agreements at least once a year as they do with regular grants. The monitoring includes meeting with beneficiaries of the subgrants which was not necessarily the case in prior agreements. Part of the learning process is when FRs travel with the grantee staff to do joint monitoring and have the opportunity to discuss strengths and weaknesses. FRs also participate on the selection committee and are involved in the discussion of whether the beneficiaries meet the IAF criteria that the corporate foundations may not have necessarily considered in the past.

Chairman Salazar asked the Board members whether they agreed with building on our RedEAmérica relationship. Amb. Dodd agreed. Dr. Bryner said it sounds like these are still hypothetical benefits so it seems important for us to be able to document those. Mr. Vaughn said RedEAmérica is our future. Mr. Wallace said he has been a big proponent of RedEAmérica from the beginning. Mr. Wallace complimented Amb. Palmer and said while they have had disagreements on some of the issues around RedEAmérica, the idea of institutionalizing it and making it part of the performance reviews of the FRs and the Regional Directors is an important step forward.

Mr. Wallace said the missing element is somebody at a senior level who really monitors and works on RedEAmérica. He suggested it from a strategic standpoint since we have two challenges: getting more resources for the Foundation, and remaining independent. We have to be able to define the unique role we play, why we have to be independent and why we need additional resources. Mr. Wallace believes if FRs work with their RedEAmérica partners in country to help beat the bushes, it multiplies the ability to find new projects and develop a pipeline.

Mr. Wallace agreed with Mr. Vaughn that RedEAmérica is our future. We have to sell ourselves as innovative and experimental. We are an idea-generator and we come up with experiments and initiatives. We have great evaluations to analyze what did and did not work. The missing ingredient is the dissemination component, where we disseminate not only within our own organization in a very systematic way but through other government organizations in the US and through RedEAmérica so that we are constantly updating our knowledge base.

Mr. Wallace said if we can have those three areas institutionalized and well functioning, we have an extremely strong story to sell. Amb. Dodd noted the story sells well in Congress.

Ms. Hodges said the feedback loop is very important because of the changing innovations and the lessons learned. The IAF has to stay in some kind of leadership role with RedEAmérica in terms of content and what is being disseminated. We should know what is being disseminated and help update and shape that message. That is where we get to impart our wisdom on a large scale.

Mr. Wallace highlighted the two programs for dissemination: publications and the fellowship program. We might want to have a stronger idea of what we want those

fellowships to look at and move it into our overall strategy to use in publications. It would not mean a change in cost. We should keep in mind that these are two outlets for getting the message out.

Chairman Salazar asked if we can assign the topics of research for the fellows. Ms. Kolko said the focus is on grassroots development. Chairman Salazar asked if the fellows can help us evaluate and examine RedEAmérica. Dr. Rodriguez-Stein said the fellows submit their own proposals. Ms. Kolko said in the past we had a list of priorities, like local development and CSR. Ms. Hodges said we can give specific parameters. Chairman Salazar said we might use that as another resource.

Chairman Salazar asked Amb. Palmer what we can do in terms of institutionalizing our relationship with RedEAmérica. He asked Amb. Palmer if he envisioned creating a staff position focused on RedEAmérica. Amb. Palmer said what was originally envisioned would be to get the Regional Directors involved; however, if we need to consider something else we are certainly open to suggestions. Chairman Salazar suggested perhaps it evolves. We can see where we are at the next Board meeting in March.

Mr. Wallace said he always thought that we needed a particular person to handle RedEAmérica. The Regional Directors already have an enormous amount of work and it seems to be asking a lot to expect them to do all they do and to focus on RedEAmérica. While the RDs have to be involved with RedEAmérica because of the way it has been institutionalized, Mr. Wallace thinks we need somebody else that is looking at growth and ways that we can continue to be an active part of RedEAmérica. We need to sell the story that not only was the IAF responsible for the creation of RedEAmérica, but we are actively continuing this partnership.

Mr. Vaughn said that person is Amb. Palmer, de facto. Amb. Palmer said he promotes RedEAmérica and the IAF wherever he goes. Amb. Palmer understands that Mr. Wallace is referring to a corporate development specialist whose role is to work closely with RedEAmérica leadership. In the past, the IAF was leading the charge and RedEAmérica itself did not have much infrastructure. Now RedEAmérica has a Board of Directors, an annual report, a president and executive director, and their own strategic plan. We would have to take a look at the IAF staff position and craft it again to reflect working closely with the RedEAmérica structure that now exists.

Mr. Vaughn asked Amb. Palmer if he serves on the board of directors of RedEAmérica. Amb. Palmer said he does not. Mr. Vaughn said it would be a natural link to have representation on that board. Mr. Wallace said perhaps we could have RedEAmérica's president on the IAF Advisory Council. Mr. Vaughn agreed. Amb. Palmer said it was a good idea. Mr. Vaughn said that we are trying to monitor that grassroots development is what RedEAmérica is all about. It is not simply supporting corporate projects locally, but really developing the grassroots. Mr. Vaughn said it is natural for the IAF president to serve on the board of directors of RedEAmérica. Chairman Salazar said it was a good suggestion.

Chairman Salazar said that we will proceed with the idea about building the relationship with RedEAmérica and Amb. Palmer can tell us where we are at the next Board meeting in March.

Amb. Palmer said between now and then, we will take a look at all of those things. It is very clear that we are a part of RedEAmérica and we want to continue to be a part of it and continue to push it, but now we will take the time to define our relationship. We talked about Congress and OMB and we will come up with a strategy there.

Amb. Palmer said we will also take a good look and have some kind of recommendation and justification with respect to a corporate development position.

Amb. Palmer said we will have a report for all of those things for the Board when we meet again.

Chairman Salazar added that we will also answer Ms. Hodges' question as to why it is good for the IAF to partner with RedEAmérica and why it is good for them to partner with us.

Amb. Palmer said that by March he will have met personally with Ms. Florez and discussed the idea of interchanging people on boards. Ms. Hodges cautioned that we would need to consider any ethical issues with this idea. Chairman Salazar suggested thinking about it.

Because of time constraints, Chairman Salazar suggested to the Board that they postpone the discussion of the Advisory Council. He asked whether the Advisory Council should participate in the March 2010 Board meeting or if the Board should meet alone. Chairman Salazar said we have committed to having the Advisory Council join the Board every September, but we could make it twice a year in September and March.

Amb. Palmer noted that there are budgetary considerations. There is money available but the question is identifying what we want to spend it on. Ms. Kolko said we are always looking at ways to control overhead expenses and it is something to consider. Ms. Kolko was under the impression that we had budgeted for just one Advisory Council meeting per year. Chairman Salazar said he mentioned that there would be just one meeting per year with the Advisory Council, but everybody was so excited the last time.

Mr. Vaughn said there were important issues to consider and perhaps having the Advisory Council may be a distraction until those matters were resolved. Chairman Salazar agreed that we have some important decisions pending. Amb. Dodd concurred. Dr. Bryner said that while he agreed, the Advisory Council can help in terms of our outreach. The advantage of convening the Advisory Council twice a year is that it reinforces the idea that they are a part of IAF and they are more likely to think of what they can do to help.

Mr. Wallace asked about the cost, per meeting, of inviting the Advisory Council. Ms. Kolko said the cost is about \$15,000, which is an overhead expense.

Amb. Dodd suggested that we consider inviting certain members of the Advisory Council corresponding to the topics that would be of interest to them or on which they could be helpful. Ms. Hodges agreed with the idea. Chairman Salazar said it is definitely a possibility.

Chairman Salazar asked Mr. Wallace for his thoughts about the March meeting. Mr. Wallace said we probably need to have a meeting of the Board, only. If we really wanted to have the Advisory Council attend, we could have the Board meeting closed in the morning, and then an afternoon meeting between the Board and the Advisory Council. He agreed with Mr. Vaughn that we have some operational issues that are easier to discuss in a smaller group. Mr. Wallace noted that we have an extraordinarily good Advisory Council and we should make them feel like they are very much an integral part of this organization.

Chairman Salazar asked if it made sense to not have the Advisory Council attend the March 2010 meeting, but to try to get it back to twice a year. The Board meetings are typically held in December, March and September, with a field trip in June.

Mr. Vaughn asked if we have thought of inviting one or two Advisory Council members to join the Board trip. Mr. Wallace said they could participate on a volunteer basis if cost is an issue. Ms. Hodges said the issue is whether to invite just a few and if so, which members. Ms. Kolko said, unfortunately, it can get complicated with spouses and having to use her personal credit card to pay for certain things. Mr. Vaughn said he understood.

Amb. Palmer said it is a matter of prioritizing. If it is something the Board feels is important, he would work with the budget office to make that money available. We need a recommendation and we will proceed.

Dr. Bryner said it seemed clear that the next Board meeting is going to be a continuation of the current discussion. Another option would be to brainstorm, perhaps via e-mail, on how to better keep the Advisory Council involved. Perhaps meeting once a year is enough, but what could we do on an occasional basis, in a cheap way, to keep them more engaged? Dr. Bryner suggested having a conference call with the Advisory Council every three months or so, which is not very expensive.

Chairman Salazar said the discussion would be postponed given the time constraint. He agreed that the Advisory Council is a good resource and we are underutilizing them. Chairman Salazar's preference would be to have the Advisory Council attend in March, but given the pending matters it would be better if it was just the Board. Chairman Salazar asked the Board members if they agreed and they all did. Chairman Salazar confirmed that the next Board meeting is Monday, March 29, 2010.

Board trip

Chairman Salazar asked Amb. Palmer what has been proposed for the next Board field trip. Amb. Palmer said the country that we have been considering is Panama. The logistics are good there. Chairman Salazar asked if the Board approved; they agreed. Mr. Vaughn said we should try to keep Brazil on the radar screen. Ms. Hodges said we are trying to alternate between regions.

The Board discussed dates for the trip and agreed on June 2-6, 2010.

Meeting adjournment

Chairman Salazar said the agenda was covered and that the Board was going to go into an executive session.

Amb. Dodd made a motion that the Board adjourn and then re-adjourn for a closed meeting to the public to discuss matters that relate solely to the internal personnel rules and practice of the Inter-American Foundation. He requested that the General Counsel certify if in her opinion the meeting may be closed to the public. Ms. Hodges agreed and said Chairman Salazar had the floor.

Chairman Salazar asked if there was a second to the motion. Mr. Vaughn seconded. Chairman Salazar asked if there was any discussion on the motion; there was none. The Board unanimously voted in favor of the motion.

The Chairman adjourned the meeting at 12:23 p.m.

Minutes of the Meeting of the Board of Directors
Inter-American Foundation
March 29, 2010

The Board of Directors of the Inter-American Foundation (IAF) met at 901 N. Stuart Street, Arlington, Virginia, on March 29, 2010. Board Members present were John P. Salazar, Acting Chairman; Thomas Dodd, Acting Vice Chair; Kay Arnold, Member; Jack Vaughn, Member; and Roger Wallace, Member. IAF staff members in attendance were Larry Palmer, President; Linda Kolko, Vice President for Operations; Jennifer Hodges, General Counsel and Senior Vice President; Jill Wheeler, Regional Director for Central America and Mexico; Wilbur Wright, Acting Regional Director for South America and Caribbean; Emilia Rodriguez-Stein, Director of Evaluations; and Rebecca Verreau, Deputy General Counsel. Also attending were Nicholas Bryner; Jenny Petrow, Foundation Representative for Haiti; Mara Quintero, Office of General Counsel; Pam Palma, Director of Information and Management Systems; and Paul Belford and Walter Sczudlo of JDG Associates.

Call to Order

The Chairman called the meeting to order at 9:10 a.m.

Approval of Minutes

The minutes of the December 14, 2009, Board of Directors meeting were approved and adopted by a unanimous vote.

Gary Bryner Memorial Resolution

Chairman Salazar welcomed Nicholas Bryner, son of former Board member Gary Bryner, and he read the Gary Bryner Memorial Resolution for consideration by the Board.

RECITALS

Whereas, Inter-American Foundation (IAF) colleagues and friends were deeply saddened by the untimely death of Board member Gary Bryner, Ph.D., on March 10, 2010; and

Whereas, Dr. Bryner, who received his Ph.D. in government from Cornell University in 1982, was an accomplished author, scholar and professor of Political Science at Brigham Young University, where he also completed his J.D. degree at the university's law school in 1994, and served as the director of the University of Colorado's Natural Resources Law Center in Boulder from 1999 to 2001; and

Whereas, both as a professor and in his personal life, Dr. Bryner was devoted to teaching others about the intersection of poverty reduction and environmental protection, and to inspiring students from varied backgrounds to make a difference; and

Whereas, Dr. Bryner was strongly committed to the Inter-American Foundation mission of alleviating poverty, promoting opportunity, and encouraging civic engagement in the developing countries of Latin America and the Caribbean through a grassroots approach to development; and

Whereas, Dr. Bryner relished opportunities to visit IAF projects in Brazil, Colombia, Ecuador, Guatemala and Mexico, in order to gain a better understanding of the realities in which IAF grantee beneficiaries live and to witness the positive effects of IAF projects; and

Whereas, Dr. Bryner's expert knowledge of climate change, air pollution, energy and natural resource law and policy was an invaluable asset to the IAF, which has increasingly emphasized the importance of the environmental sustainability of development projects; and

Whereas, during his service as a Board member, Dr. Bryner generously donated his time to the IAF in advising and working closely with the IAF evaluations staff to better measure the impact of IAF projects; and

Whereas, Dr. Bryner's kindness, patience and generosity are his legacy to all who knew him, be it therefore

RESOLUTION

RESOLVED, That the Board of Directors of the Inter-American Foundation expresses its sincere condolences to Dr. Bryner's family, and be it further

RESOLVED, That the IAF Board recognizes with sincere gratitude the thoughtful and inspirational contributions Dr. Bryner made to the work of the IAF, and be it further

RESOLVED, That in light of the recently-completed, successful pilot study of the long-term impacts of IAF grants undertaken by the IAF Evaluations Office, with the advice and assistance of Dr. Bryner, the IAF Board hereby acknowledges the critical importance of such impact assessments, endorses their implementation, and officially establishes the *Making a Difference: Assessing the Impact of IAF Projects* initiative in his honor.

The Resolution was unanimously passed by the Board.

Chairman Salazar expressed to Mr. Bryner the IAF's appreciation for Dr. Bryner's service. Mr. Bryner said his father considered his service on the IAF Board a great honor and one of the most important aspects of service that he rendered over the last several years.

Re-designation of the Secretary of the Board

Ms. Hodges requested that the Board officially re-designate Ms. Arnold as Secretary of the Board as her two-year term is about to expire. Chairman Salazar asked if there was a motion. Mr. Vaughn moved; Mr. Wallace seconded. The Board unanimously approved re-designating Ms. Arnold as Secretary of the Board.

PRESIDENT'S REPORT

Amb. Palmer said the distinguishing factor of the quarter has been the natural disasters, with the earthquakes in Haiti (January 12) and Chile (February 27). Many of our beneficiaries were affected. Jenny Petrow, Foundation Representative (FR) for Haiti, will be giving a report of her experiences in Haiti later in the meeting.

Amb. Palmer provided a RedEAmérica update. A number of questions were asked at the last Board meeting about the status of the IAF's current relationship with RedEAmérica and moving forward. In February, Amb. Palmer traveled to Colombia with Wilbur Wright, Acting Regional Director for South America. They met with Margareth Florez, executive director of RedEAmérica, and Paul Velasco, president of the RedEAmérica board. They were later joined by Advisory Council member Elena Echavarría. They talked about where RedEAmérica is now, their plans for expansion and their relationship with the Multilateral Investment Fund (MIF). They made it very clear that RedEAmérica is not in infancy now, but in the adolescent stage. They are looking for a relationship with the IAF that will reflect that difference.

Amb. Palmer attended the Interagency Meeting on the U.S.-Brazil Joint Action Plan to Eliminate Racial Discrimination. Assistant Secretary of State for Western Hemisphere Affairs Arturo Valenzuela also participated. The next meeting will take place in May in Atlanta.

Amb. Palmer noted that the Joint Action Plan is one of the intergovernmental relationships we are working with in terms of State Department. Another one is related to Chile.

Amb. Palmer left the meeting.

Ms. Hodges said that with respect to RedEAmérica in Chile, we have updated our cooperative agreement with Fundación Microfinanzas y Desarrollo. Our RedEAmérica activities in Chile are being revamped and reactivated. In light of the earthquake, this gives the IAF an opportunity to have a presence there that we had not had in recent years.

Chairman Salazar asked about the Inter American Social Protection Network (IASPN). Ms. Hodges explained that the IASPN is an initiative of the State Department. She attended the IASPN conference in New York last year. Chile has been the leader in South America with respect to creating social protection networks and they are looking to partner with other actors within the hemisphere, including the US, to impart that knowledge to other countries like Paraguay and El Salvador. There is a meeting tomorrow to discuss next steps.

Amb. Palmer returned to the meeting.

Amb. Palmer said that with regards to the IASPN, A/S Valenzuela signed an agreement with the minister of foreign affairs of the Republic of Chile. They are interested in

collaborating in programs on access to education, food safety, enhancing social protection networks, reducing poverty especially for marginalized segments of society, and advancing socioeconomic inclusion. Before the earthquake, the IAF was on a course to administer a program for \$875,000 to facilitate training and partnerships to create or bolster social protection networks and systems. It is currently on hold. Ms. Hodges said the money would be used to work with Chilean government officials, and maybe some civil society actors, to help them export their knowledge and experience to countries that are looking to improve services in the areas previously mentioned by Amb. Palmer. Mr. Wallace asked if it is State Department money; Ms. Hodges confirmed that it is.

Amb. Palmer was invited to participate on a panel at the Denver Biennial of the Americas on July 6. He has been working with Jim Polsfut. It is a huge event for Denver and they have invited former presidents and vice presidents to participate.

Amb. Palmer visited Mexico City for the Fellowship Mid-Year Conference in February. Amb. Dodd also participated and will elaborate on the topic later in the meeting.

Amb. Palmer was recently invited to a reception by former Peruvian President Alejandro Toledo. It was also attended by José María Alfredo Aznar, the former Prime Minister of Spain, and former Mexican President Vicente Fox. President Toledo is working with a law firm in town and he has been in touch with Amb. Palmer about a project to develop the capacity of Peruvians to access some of the billions of dollars in social funds in their country. It is increasingly difficult for the communities to access these funds because the rules are always changing. There are more than \$20 billion at stake.

In early March, Amb. Palmer spoke on a panel, *Financing International Development Projects: Successes & Challenges*, at the International Trade and Investment Conference sponsored by Monterey Institute of International Studies (MIIS). MIIS proposed setting up an intern program with the IAF such that after the IAF funds a project, MIIS would place some of their students with that NGO. Amb. Palmer told them we would be in touch with them in the future.

Amb. Palmer mentioned that a representative from Guggenheim Fund was also on the MIIS conference panel. Guggenheim is looking to invest \$200 billion; \$5 billion of which in Latin America. There may be potential ways to work with them, possibly in Bolivia and Brazil. A representative of the Bolivian government is coming to Washington in April, and we may try to connect him with the Guggenheim representative in Washington. Amb. Palmer said we would be on the side to see if we could get some money out of them.

Mr. Wallace asked about the IAF role in brokering the Guggenheim Fund's investments with the Morales government. Amb. Palmer said we are thinking of them in terms of our corporate outreach, and is not sure the IAF has a role. Mr. Wallace raised a note of caution; perhaps something could come up on the Hill if we are trying to negotiate support for the government-backed lithium program in Bolivia with President Evo Morales. He thinks that could be misinterpreted. Amb. Palmer said he can scuttle the

idea if the Board thinks that is appropriate. When Amb. Palmer participates in outside events he looks for opportunities to try to set up some type of corporate agreement. Ms. Arnold said that Mr. Wallace's suggestion is that we should be careful how the IAF is positioned in the deal.

Amb. Palmer mentioned that in the past there was discussion about the Millennium Challenge Corporation (MCC). We put forth the idea of 0.5 to 1 percent of their money being set aside for grassroots projects. Amb. Palmer had spoken with former MCC vice president John Hewko about it, but the idea never really took off. Ms. Arnold and Mr. Wallace said that is a great idea. Amb. Palmer noted that Daniel Yohannes is now the Chief Executive Officer of MCC.

Mr. Vaughn asked about the status of the MCC/ Honduras pact. Amb. Palmer said that Secretary of State Clinton said it is okay for the MCC to fund in Honduras again. Ms. Hodges said there have been several Congressional hearings about Honduras and US support (or the lack thereof) to the government. We anticipate that MCC funds will start flowing in the next few months.

Chairman Salazar asked if there were any take-aways or lessons learned from the MIIS event. Amb. Palmer said the Overseas Private Investment Corporation (OPIC) is making money and financing projects in the hundreds of millions. The Export-Import Bank of the United States is also for-profit. Amb. Palmer was the only one representing the non-profit sector on his panel. Some of the attendees asked who they need to call to ensure that the IAF continues to get appropriations increases so we can continue to do what we do. Ms. Arnold said one of the advantages of participating in those events is the connections made.

CONGRESSIONAL AFFAIRS

Ms. Hodges said OGC is currently doing a lot of outreach, for example to the Congressional Hispanic Caucus (CHC). When Hilda Solis was appointed as Secretary of Labor, we lost a real advocate. Chairman Salazar has been a real benefit to us with respect to these outreach efforts. We met with CHC members and Chairman Salazar wrote an introductory letter when he became Board Chair. We have had several meetings with the former director of the CHC, Angela Ramirez, and the CHC International Relations Task Force. We are trying to identify CHC interests in the region and where those overlap with what the IAF is doing. We are working on a letter with them and once it is sent out, we are hoping the Chair or co-Chairs of the Task Force will endorse the letter. About a year ago, we had conversations with Advisory Council member Anita Perez Ferguson about trying to develop domestic constituencies in the US, which has been a challenge for us. We see some natural alliances with the CHC.

We have also been talking with Western Hemisphere House subcommittee staff on doing a key staff briefing. We met with Congressman Rubén Hinojosa's staff member about this last week. The idea is to identify about 10 key House staffers, some of which will come from CHC offices, who can sit down for a breakfast or lunch briefing. We would

like a Board or Advisory Council member to participate. Amb. Dodd's name has been circulated as a possible participant.

OGC is doing the roll-out and outreach regarding the Congressional Budget Justification and responding to questions. The IAF request is \$22.76 million. Ms. Hodges does not know whether we should anticipate more than the request this year.

Ms. Hodges said that House appropriations staffers have mentioned considering supplemental funding for Haiti for FY 2011. There is a possibility the IAF may be able to get a \$2 million to \$3 million earmark in addition to regular appropriations. Ms. Arnold said there is a history of this for the IAF, with disasters in Guatemala and Honduras. Ms. Kolko said it also happened in Panama and Nicaragua and Haiti in the 1980s. Mr. Vaughn asked if the Haiti money would be disbursed through the normal grant process or earmarked for disaster relief. Ms. Hodges said that if following the typical pattern, the language could be along the lines of "for development purposes in light of the earthquake." We would work to have the language drafted as broad as possible, and we would also work to try to have it available for the longest amount of time rather than just two-year appropriated money.

Mr. Wallace asked how the Congressional Black Caucus (CBC) interacts with the African Development Foundation (ADF). Ms. Hodges said there are some Congressional Members who carry a lot of water for the ADF, for example, Congresswoman Barbara Lee. Sometimes the strategy is unclear. The IAF is also cultivating relationships with CBC members, not just for Afro descendent activities but for broader IAF activities as well. Ms. Hodges noted Congresswoman Lee is also a key supporter of the IAF.

We continue planning ahead for Congressional dinners with the Inter-American Dialogue, and we are working with them on some issues related to past dinners. There are tentatively two or three scheduled for the spring. One potential topic is the post-earthquake issues in Haiti. We have spoken to Mr. Vaughn about participating.

The IAF has partnered with the Dialogue on a women's conference in the past. It happens about every two years. This year the focus is on women's caucuses throughout the region. There may be possibilities for the IAF to plug in. The IAF can talk about success stories where NGO women have risen through the ranks of their local congresses.

Ms. Hodges mentioned that the OAS named 2010 the Inter-American Year of Women. As mentioned before, we are looking to participate at a conference with the Dialogue that is scheduled for late September. We would like to use that to lay the foundation for a conference on women in development next spring. We would use a three-tiered approach: individuals in senior levels of government or family foundations, like Advisory Council member Elena Echavarría; midlevel implementers such as Margareth Florez; and women at the NGO level who are working in grassroots development. The idea is to have a multi-faceted, large scale, two-day conference that would include individuals from State Department, Congress, civil society and the private sector, to talk about the importance of women's leadership. Mr. Wallace and Ms. Arnold said that is a great idea.

Mr. Wallace said perhaps we could get Secretary Clinton to kick off the event. Ms. Hodges also suggested Maria Otero, Under Secretary of State for Democracy and Global Affairs, or Melanne Verwee, Ambassador-at-Large for Global Women's Issues.

Ms. Arnold emphasized the importance of education when talking about women in development, because women are responsible for the health, education, and the economic well being of the children in those countries. Ms. Hodges noted that we will keep Ms. Arnold apprised of the Chilean government opportunities because education is a critical piece of their approach to development.

Amb. Dodd said no one is more interested in this field than the outgoing president of Chile, Michelle Bachelet. Ms. Hodges noted that President Bachelet spoke at the IASPN conference in New York. Dr. Rodriguez-Stein also mentioned the new president of Costa Rica, Laura Chinchilla. Amb. Dodd suggested we might ask A/S Valenzuela for help on getting in touch with President Bachelet.

Chairman Salazar said he was pleased to hear we will have an improved relationship with the Dialogue. Ms. Hodges said we have always had a good relationship, but the new president, Michael Shifter, may have some new ideas. Our relationship should continue to grow and evolve.

Chairman Salazar noted that the OGC report in the Board meeting materials said some issues are likely to be referred to the Department of Justice (DOJ) for debt collection action. Ms. Hodges explained that the Grant Oversight Committee (GOC) reviews information internally to decide what to do with problem grants. There are a variety of outcomes from the oversight process.

The specific matter referred to in the board report involves an IAF terminated grant to Alternativa, a microfinance organization in Nicaragua. It involves a variety of internal issues and mismanagement of significant loan funds. The grantee has not yet repaid the debt. Ms. Hodges noted that the Board saw some of their subgrants when they visited Nicaragua two years ago. The grantee has historically done good work and we have funded them several times over our history, but they had taken over another grant and there was an unfortunate convergence of issues that are so far outside the scope of normal business that we need to take some serious action. Ms. Hodges said we have a responsibility to do due diligence and, in this case, the amount of money is more than the threshold of IAF discretion. We will be soliciting assistance from the Inspector General (IG) prior to referring the matter to DOJ.

Amb. Palmer said we need to send a message to NGOs, especially in Nicaragua. Ms. Hodges said we are trying to seek resolution and are not punitive in our approach. Ms. Arnold said she supports the IAF doing this. Ms. Kolko said we have had to call in the IG several times over the years, but not necessarily the DOJ. Ms. Hodges said that is not discretionary, and is dictated by the amount of money involved. Ms. Kolko reiterated that the norm is that we work with the grantee to resolve the situation. Chairman Salazar said the good news is that it does not happen very often.

Chairman Salazar asked if there is pending Congressional legislation that might affect the IAF. Ms. Hodges said they are not currently focused on foreign assistance. Increasingly, the Senator Menendez legislation is something we should keep an eye on rather than the larger, broader reform legislation discussed over the past few years. The Senator Kerry legislation, seeking to bolster USAID, is another piece we should watch. Although it probably will not address the IAF specifically, it gives clues for what Congress is interested in from the development perspective.

PROGRAM OFFICE

Ms. Wheeler said the focus of the Program Office is grantmaking, which is moving along well. They are working to finalize grant agreements for this year. The environment continues to be interest for the IAF and we have seen a lot of proposals from the field.

Ms. Wheeler highlighted CoopeSoliDar in Costa Rica, an NGO that is working closely with a small fisherman's cooperative. There is an agreement where the community will work with the government to manage resources sustainably. They are working on a series of planning activities with people in the fishing industry, working with the government on policy, and offering training in responsible fishing practices.

Ms. Wheeler described a solar oven project in a poor indigenous region of Guatemala where there is decreasing availability of firewood. Asociación Amigas del Sol (ADS) is a base group that will provide a series of training sessions for women to build their own solar ovens. It helps the health aspect because there is less smoke than the traditional firewood so it is healthier for the families. It is an interesting combination of environment, health and women's empowerment coming together.

In El Salvador, Pro-Búsqueda is helping reunite families and kids who disappeared during the war. This is an example of a grant that stemmed from an IAF planning grant. They are trying to find new ways to work with this population and are focusing on income generation, job skills and micro-entrepreneurship training. They are also doing exchanges with students in the Boston area, whether Salvadoran families living in Boston or children who were adopted by families there and are interested in supporting projects and families back home.

Amb. Dodd asked Ms. Wheeler about the location of the Costa Rican grant she highlighted. Ms. Wheeler said it is in the west coast, in Tarcoles. Amb. Dodd asked if we have received any requests from the east coast. Ms. Wheeler said we have received inquiries but no concrete proposals from that region. Amb. Dodd said the east coast has always been left out. Ms. Wheeler said we are considering a proposal from the Bri Bri indigenous community near the Panama border. It is a small project based on ethno and eco-tourism, and is showing tourists different varieties of trees and plants. Amb. Dodd said the Costa Rican US Foundation, CRUSA, has some funding left over from when USAID left Costa Rica. They have a substantial amount of funding and they may be able to help. Ms. Wheeler said we have been working with them. They sent us a set of letters

of inquiry and hopefully we can do some co-funding or share proposals. We are trying to find a way to mobilize their resources.

Ms. Wheeler described a conversation she had with Western Union. In Mexico there is a three-for-one matching program where local, state and federal entities match funds by migrants, originally for social projects. Western Union created a four-to-one matching program focused on income generating projects. They are funding projects similar to what the IAF has funded in the past. Ms. Wheeler noted it is difficult for the IAF to fit into three or four-to-one programs because of their structure. The IAF is receiving proposals from Guatemala and El Salvador related to migration, remittances and development. There are a couple of migration and development forums coming up and we are hoping to identify possibilities for collaboration through these events.

Ms. Wheeler has been participating in a series of expert roundtables hosted by the Migration Policy Institute and USAID. A Western Union representative has been part of those discussions, as well as other academics and migrant leaders. It is a way to reach out and see what is happening in the field.

Ms. Wheeler attended a meeting with representatives of the Annie E. Casey Foundation. We have been working in the same area on the Mexico border. We are trying to find out more about their interests. They do not have a lot of experience with international funding. They did a census of families on the Mexico border. Areas for collaboration could be migration and remittances and development, and possibly education. Ms. Arnold agreed the Casey Foundation does substantial funding for education and healthcare.

Ms. Arnold asked about “The Power of Chocolate,” mentioned in the Program Office section of the Board meeting materials. Ms. Wheeler explained that representatives of former Bolivian grantee El Ceibo and current grantee Pro Artesana, of Panama, participated in an event held at the Smithsonian National Museum of the American Indian. The event provided an excellent opportunity for the public to learn about the work of IAF grantees. Ms. Kolko said that the grantees were selling their chocolate at the museum restaurant and FR Kevin Healy has been working with the museum to allow some of our grantees to sell their crafts in the museum shop.

Chairman Salazar asked about the impact of drug trafficking and violence on our programs in Mexico and Central America. Ms. Wheeler said we are tracking this. Mexico is the biggest concern. We are considering a proposal in the southern part of the state of Chihuahua and are analyzing the security situation before sending any staff there. We are hoping to fund at least one project in the border area. Grantees along the border, particularly in Juarez, are having a hard time due to kidnappings and other issues. We are fairly hopeful we will be able to continue working in other parts of Mexico. We will do another security check with the US Embassy before the next round of trips.

Ms. Wheeler said we are hearing more about the security situation in Guatemala, particularly in the Petén region in the north. We have not said no to funding, but we are

being cautious. Grantees and the Embassy provide helpful information about conditions on the ground. El Salvador is also getting a little trickier, but not so much that we cannot fund there.

With respect to the Mexico border issues, Amb. Dodd suggested tracking what Secretary Clinton has said recently about looking at areas to shift funding and looking at social and economic issues long term. That would help to understand where the IAF might fit into their programs.

Ms. Wheeler said that FRs have been doing outreach in the countries where we need more proposals. Mr. Wallace asked how many FRs are assigned to Central America and Mexico. Ms. Wheeler named the six FRs who work in the region.

Moving on to South America, Mr. Wright said FRs are preparing PAR presentations and doing some travel to finalize grant details. It is too early to talk about grouping of projects, but there are two areas that stand out: climate change, including water conservation, soil conservation and reforestation; and education/ capacity building, including business management and training students in Brazil to take college entrance exams.

Venezuela is a challenge in the region. We have not been able to get visas to travel there for a while. We have received very few proposals. We have looked at RedEAmérica as a possibility; the Venezuela node has three active foundations. Another possibility is a national subgrant fund that would give our program visibility.

Mr. Wright highlighted MEDA, a project in Paraguay that works with small business men who donate a certain amount of money to pool and provide the funds for business development and mentoring. The IAF is providing money to expand and partner with them. It is not corporate funding, but small business men helping small business men. We have done work with them in Central America and it is the first time in South America.

Mr. Wright moved the discussion to natural disasters and introduced Jenny Petrow, Foundation Representative for Haiti, who just returned from the field.

Ms. Petrow said the IAF currently has nine grantees in Haiti, mostly in the bottom half of the country. Some also work with subgrantees across the whole island. There were four grantees in the area of the earthquake epicenter. With the exception of our former auditor, who sadly died of a heart attack, there was not loss of life among grantees or contractors but substantial loss of infrastructure. Those grantees located in rural areas, especially in the areas outside the epicenter, are dealing with an influx of displaced people. Families are increasing by six people per family. The prices for basic necessities have risen drastically. One grantee is dealing with the influx of people who have no ties to the area and trying to figure out how to help them. Within that framework, we have been thinking about how the IAF could respond. The IAF is not a humanitarian agency so it is not an immediate response, but we are working with our strengths.

Ms. Petrow proposed a larger, two-step framework which looks at a medium term response and a longer term response, and then future funding. In the medium term (three to six months), we would deal with the backlash of the earthquake in terms of what is happening in their lives in this new situation. Money is a necessary part of recovering, but grantees were feeling a lack of sense of control and felt abandoned by international aid. There is a feeling of helplessness. Unfortunately, we have seen a concentration of aid in the capital and it does a disservice to Haiti's grassroots. We thought that the best way to empower grantees is to have them tell us what they need through additional funding amendments. They do not need to touch their current grant but can put forward a small proposal for how to deal with the influx of displaced persons. Other areas are school fees, feeding kits, agricultural inputs, training centers, kits for pregnant women and newborns, and psychosocial intervention to help deal with the trauma within the context of these grassroots organizations or NGOs that organize activities.

In the long term, we would work with each group individually to see how they need to recover from this and how they need to move forward within their project cycle. Grantee FFFJ, for example, retrieved their cameras out of the rubble but there is no infrastructure left.

As far as future funding, we will continue what we have been doing, particularly as the earthquake has centralized aid. The majority of projects are rural and outside of Port-au-Prince. Those that are urban or inside Port-au-Prince are innovative like our business incubator or the film school or filling the gap that other donors do not reach. Agriculture and food security will be important with 600,000 new people living in the countryside. There is a focus on women since they are the primary caretakers for displaced people. We are also expecting proposals in the future from youth who have lost parents and possibly people with disabilities.

Ms. Petrow mentioned a New York Times editorial about the donor conference taking place on March 31. The article mentions five areas: transparency, accountability and effectiveness; Haitian involvement; self-sufficiency; tapping the diaspora; and decentralization. Ms. Petrow noted these are areas where the IAF has traditionally focused.

Ms. Petrow is presenting a new project this year that matches diaspora funds with IAF funds. She just returned from Cap-Haïtien. We are hoping to fund a project for manioc production. We will also keep in mind how invisible the displaced people become.

Mr. Vaughn suggested that the emerging issue for the long term is going to be shelter. Underlying issues are redevelopment and resettlement. There is also the issue of property rights in light of one million people squatting. The question is what to do with 47 times the amount of rubble of 9/11. It would be great if we could integrate ourselves with that issue.

Ms. Hodges asked if there was a group that will work on coordination along the lines of what they did in Banda Aceh after the tsunami. Mr. Vaughn said the UN has set up clusters to try to organize funders based on the issue they are working on. But it can be challenging.

Mr. Vaughn mentioned Advisory Council member Dumas Simeus, who has run a number of the diaspora groups in the US. Mr. Vaughn would encourage the IAF to plug Mr. Simeus in to efforts to mobilize the diaspora. Ms. Hodges asked Mr. Vaughn if he had read Mr. Simeus' think piece to UN Secretary-General Ban Ki-Moon. Mr. Vaughn said yes, and noted Mr. Simeus is very vocal on the issue of trying to change the political culture of Haiti. Mr. Simeus goes so far as to suggest that Haiti should relinquish or cede its sovereignty for 10 years; perhaps the US, Canada and France under some sort of UN organization should basically manage the affairs of Haiti. Amb. Dodd noted the suggestion is to have some sort of trusteeship. Mr. Vaughn said he tends to agree with Mr. Simeus, as they do not seem to be able to do it by themselves the way they are set up. Mr. Vaughn suggested that Mr. Simeus would be really good working with the diaspora.

Amb. Dodd asked Ms. Petrow if she noticed any issues or problems between Haiti and the Dominican Republic because they have a history of strained relationships. Ms. Petrow said the news has talked about how the Dominican Republic has been the first to assist. At one point the media said the relationship between the Dominican Republic and Haiti had improved in light of assistance. Then the Dominican government made a statement saying they were poor as well and that Haiti should have to pay back all of the money invested. Ms. Petrow noted that we supported a Haitian-Dominican grantee through a travel grant to go back and forth to assist.

Amb. Dodd said it will be interesting to see what happens when Haitians go to the Dominican Republic for the sugar harvest. Ms. Petrow wonders whether or not those people are going to return to Haiti when the harvest finishes.

Mr. Wright highlighted other South American events. Chile also had a major earthquake. The tsunami did almost all of the damage, affecting fishing coops and groups. None of the IAF grantees were directly affected. We are starting to look at ways that the IAF can help in rebuilding efforts. We have a planning grant with Nonprofit Enterprise and Self-sustainability Team (NESst). They provide training and planning to small businesses and are looking at ways they can help small businesses develop business plans to build themselves out of the disaster situation they are in.

Due to torrential rains in Peru, people cannot get to Machu Picchu as the train has been washed out and 8,000 people have been put out of work. They lost \$1 billion due to lost tourism. The bridge to the community museum in Pisac has been washed out, though the museum was untouched. Unfortunately, Peruvian President Alan Garcia has not made a decision on whether to declare it a disaster zone.

We are trying to meet challenges in other countries. Colombia is difficult for us to work in due to political campaign turmoil and security-related events. Paramilitaries seem to

be infiltrating the NGO sector and we need to be cautious about this. There is fear about what folks say in public because it gets back to others. There is no direct effect on specific projects, but there is concern about how this chills the discussion.

Chairman Salazar asked if drug trafficking affects South American countries besides Colombia. Mr. Wright said it does, for example in Peru. Amb. Palmer mentioned that transport through Ecuador is an issue. Amb. Dodd said it is a problem from Uruguay to Europe.

Chairman Salazar asked if there is any chance of the IAF funding in Venezuela, given our renewed interest there. Mr. Wright said we are looking at unique opportunities, and we will talk about it in terms of RedEAmérica later in the meeting.

Ms. Hodges said that with President Hugo Chavez being the nemesis of the region, one of the selling points that tends to resonate externally in distinguishing the IAF from other USG assistance is that the IAF can continue to fund in politically challenging areas, such as Bolivia and Venezuela, when others have been asked to leave the country. When other USG funding was suspended in Honduras over the summer, the appeal of the IAF was that we could fund there because we are not working with the government, but rather with the people. There are some challenges in Venezuela, but sooner or later we will have to revamp how we sell ourselves and this could be important.

OPERATIONS

Ms. Kolko talked about IAF's 40th Anniversary activities. In February, we sponsored Sustainable Chocolate Week at the Smithsonian National Museum of the American Indian (NMAI), featuring El Ceibo and Pro Artesana. In April there will be a full week of activities in New York City, including the IAF photography exhibit to be hosted at Hostos Community College. Ms. Kolko thanked Advisory Council member Rita DiMartino for her help.

In June we are celebrating the IAF anniversary with Bolivian craft demonstrations, music and dance. The opening ceremony will be on June 11 at the NMAI. FR Kevin Healy is trying to negotiate the sale of crafts at the museum.

In September, we will be participating on panels and hosting our collection of photographs at Florida International University's annual Americas Conference. In November, we are planning to cosponsor with the University of New Mexico and the National Hispanic Cultural Center, a series of seminars and events featuring our grantees and possibly the IAF photo exhibit.

Ms. Kolko highlighted the mid year meeting of IAF Fellows and asked Amb. Dodd to provide details.

Amb. Dodd said the IAF Fellows meeting was the most unique academic conference of doctoral candidates he has attended. There were 16 doctoral candidates with research at

different levels. The fellows received feedback from colleagues in other disciplines and by the end of the conference were incorporating that feedback into their plans and research. Amb. Dodd observed that what they expected to do beyond the dissertation is based on an interdisciplinary approach. Although 75 percent of fellows in the past have gone into academia, these students are planning to be involved in more than just one specific department. That is a good sign for the IAF.

Amb. Dodd noted that the students establish contacts at the local and national levels, both government and the NGO sector, through their research and maintain those contacts as they return home.

Amb. Dodd mentioned that several US students are learning indigenous languages, such as Quechua, in US universities.

Amb. Dodd emphasized the outstanding quality of the fellows' research and their interdisciplinary approach. Amb. Dodd would like to see how these dissertation topics can feed back into the IAF. What contacts do they make? Who do they know? We should not miss this opportunity of what the fellows are doing.

Amb. Dodd suggested getting feedback and finding out how to maintain their contacts with each other. The Latin American Studies Association (LASA) is another possibility. We should publish these dissertations so they are not just archived. It would be good for the IAF to have a role other than in the "thanks" section.

Amb. Dodd highlighted the topic of emigration. It would be interesting for the IAF to look at the kinds of grants that come from the populations that are changing from exclusively Indo-American to some form of mixture with the Spanish in Bolivia, Ecuador and Peru, and the implications for employment.

Ms. Kolko thanked Amb. Dodd for his ideas and said we hope to follow up on some of them. Amb. Dodd emphasized that the fellowship program is a huge resource.

Ms. Arnold asked if we publish the IAF fellows' dissertations. She suggested we could include an executive summary of the dissertations in the Grassroots Development journal. Ms. Kolko said the fellows have to submit a report and we can see the quality of those and perhaps provide links on the Web. Ms. Kolko said the next IAF journal will include an article about the fellowship program.

Mr. Wallace said the idea of a feedback loop is good in terms of showing the value of the fellowship program. If we are able to go back and track these individuals when they go to NGOs and corporations, we create a broad base of support for the IAF. Mr. Wallace asked if we have a list of the IAF fellows. Ms. Kolko said we have some information and have talked about generating a database of the participants. She agreed we should think about the best way to disseminate.

Mr. Wright noted that nine Latin American Studies departments at major US universities are led by former IAF fellows. Chairman Salazar said this could be a good contact network for IAF. Mr. Wallace asked if we communicate with fellowship alumni on a regular basis. Ms. Kolko said we are just starting to do that through the contract and some interns here.

Amb. Palmer said we should think about how we can start using this information from an evaluations point of view. Hopefully we will have an idea by the next meeting.

Ms. Kolko noted that the members of the fellowship academic committee have also been strong supporters of the IAF. The committee just finished their review of 65 applications for next year's program.

The 2009 Year in Review was printed in English and Spanish. The English, Spanish and Portuguese versions were posted on the IAF Web site. Articles for the 2010 Grassroots Development journal are being edited for publication. At the request of our Congressional Affairs team, the environment brochures are being processed and we have been working with the Program Office to select samples of projects.

The budget for FY 2010 is \$29 million; \$23 million in appropriated funds and about \$6 million SPTF. We expect to fund about \$18 million in new grants and amendments. For FY 2011, we received \$22.7 million in appropriations and about \$5.3 million in SPTF so we will have an operating budget of \$28.2 million.

Audit season has begun. The entrance conference for the financial audit will be in April. The IT security audit will most likely begin in May.

Dr. Rodriguez-Stein mentioned that she will be going to Guatemala to do an impact assessment of a health community project that ended in 2005. Additional assessments will be conducted in El Salvador and Bolivia.

REDEAMÉRICA

Amb. Palmer said the RedEAmérica meeting in February served to clear the air. Amb. Palmer and Mr. Wright had a chance to see the office run by Margareth Florez. Paul Velasco visited from Ecuador. RedEAmérica created an agenda and talked about their strategic plan and the increased institutional support. Their marquis issue is the diplomado on grassroots development. The next online course will start in April and five IAF staff are scheduled to take the course. The origin of the syllabus is mostly from early IAF/ RedEAmérica collaboration.

RedEAmérica highlighted their relationship with the MIF. There is an \$8 million program where the MIF will provide \$5 million and RedEAmérica will provide \$3 million. There is an issue of red tape with the MIF. Mr. Wright explained that RedEAmérica has to put up \$3 million in counterpart, but they do not have a lot of control over how those funds are spent. The MIF has set up an office down the street

from the RedEAmérica office. The local members of RedEAmérica supply the proposals and the MIF makes award decisions based on their criteria. The IAF had partnerships where we gave \$20,000, maximum, to help incipient organizations, and in some cases far less than that. The MIF's limits start at \$30,000 and go to \$125,000. They are talking about almost a competitive situation. This creates a problem for RedEAmérica and they are trying to figure out how to handle it. It is a multiyear program for five years and they are already a year and a half behind. This month they hope to make the first solicitation for proposals.

Amb. Palmer said RedEAmérica wants to expand into Central America; Nicaragua and Honduras, specifically. Amb. Palmer thinks we could be helpful to them, for example through Pantaleon with whom we already have an agreement.

Amb. Palmer said that during the meeting, they discussed the relationship between RedEAmérica and the IAF but did not come to a conclusion on the issue. RedEAmérica will put together some ideas and send them to the IAF. Amb. Palmer noted that this year we funded an amendment for Microfinanzas in Chile. We also funded an amendment for Consorcio in Colombia. We are wrestling with issues with CODESPA, which is leveraging close to \$1 million in Guatemala and Peru. We are working on issues such as size. We always talk about the importance of funding small, incipient groups at \$20,000, and yet, they say that is too low and suggest \$30,000 or \$40,000. They want us to assist in the growth and expansion. We need to think in terms of updating the RedEAmérica template. They are pleased about the IAF incorporating RedEAmérica projects into our monitoring, data verification, and auditing.

Amb. Palmer said the core principles are much the same as before. We never really got an answer to the question of what is the value added of promoting the RedEAmérica model rather than funding through a bilateral agreement with the IAF. We need to redefine the relationship. There is unanimous agreement among senior staff that we want to continue it, but exactly where and how at this point is undecided.

Mr. Wright said we have worked through national funds in areas such as training on how to better understand working in grassroots development. Their concern is that when doing a bilateral agreement, they circumvent that experience.

Mr. Wright said that during the RedEAmérica meeting he mentioned that the IAF has not received many proposals from Venezuela and we have had difficulties getting in to the country. RedEAmérica said the node in Venezuela consists of three foundations. Fundación Polar had the secretariat for a while. Two new members are The Smurfit Carton Corporation, which is an active member in Colombia and has a sister branch in Venezuela; and Unicasa, one of the largest supermarket chains.

Amb. Palmer noted that FRs are much more involved in RedEAmérica agreements and are sitting on the subgrant selection committees in Peru and Guatemala.

Mr. Wallace said he was glad Amb. Palmer and Mr. Wright went down to meet with RedEAmérica. Although it still is not totally defined, we have begun the process of how to redefine our relationship. Mr. Wallace said it seems there are four areas of ongoing responsibilities for the IAF. One is outreach and growth, in terms of the recruitment process and helping them find new members to build and broaden the network. The second is to continue the training process by sharing knowledge and learning with them. The third is the funding of the nine nodes and helping them encourage other nodes to form. The fourth is the audit/verification and feedback loop.

Mr. Wallace said the question is how to institutionalize this. Mr. Wallace suggested that we still need to think about having somebody who is full time to nurture and build these relationships. The pay off is in looking for the IAF niche and scalability. We need to have an organized story to tell. Mr. Wallace urged the IAF to consider adding someone who would really focus on maintaining and enlarging our relationship with RedEAmérica.

Mr. Vaughn said we discussed the idea of having the President of the IAF sit on the Board of RedEAmérica. Ms. Hodges said that can raise some conflict of interest issues.

Mr. Wright said we are in discussion mode and RedEAmérica will be presenting the IAF with a concept paper.

Ms. Hodges said one of RedEAmérica's ideas is to have a formal agreement that embodies their relationship with the IAF. This is something we can do that is symbolic and ceremonial, perhaps through a Memorandum of Agreement, which would help third party contributors understand the relationship that already exists. Mr. Wallace recommended defining specific ways the IAF can be of assistance to RedEAmérica. Amb. Palmer said we are thinking about inviting Ms. Florez and Mr. Velasco to speak with IAF senior staff and possibly FRs. Chairman Salazar said this seems to be evolving in a positive way.

Board trip

Amb. Palmer confirmed that the Panama site visits are scheduled for June 2 to 6; the core visit days are Thursday through Saturday. Ms. Wheeler said the trip will include an Embassy briefing, a canoe trip to visit a grantee, a grantee fair/exhibition, and visit to the Panama Canal. Ms. Hodges said that we will send information about the agenda and what to bring as plans are finalized.

Next Board meetings

The next board meetings are September 27 and December 13, 2010.

Advisory Council

Information was presented on the current status of the Advisory Council (AC); four individuals have left and 16 remain. Ms. Hodges said we should keep in mind that the members are in the final year of three-year terms. The issue is whether to replace individuals now or wait until the end of the term. Mr. Wallace asked when we are going to have new AC members. Ms. Arnold suggested waiting until later in the year for new AC members because we will have new input.

The current AC is scheduled to participate in the September Board meeting. Mr. Wallace asked if we could fill the four vacancies. Ms. Arnold said she would wait until we have a new IAF president. There are other issues to focus on.

Mr. Wallace suggested Lucy Billingsley, who is based in Dallas and has worked on a huge project in Chiapas on microfinancing for women, as a new member of the Advisory Council. Ms. Arnold said perhaps we could let her know we will be in touch with her in the fall if she is interested. Mr. Wallace said we could invite her to attend the September meeting as a member of the public.

Mr. Wallace asked if there is any possibility of putting the AC on rotating terms so they do not all go out at the same time. Ms. Hodges said she did not think the whole AC will change, but there will be some turnover. Mr. Vaughn said he likes the idea of assigning them to a particular issue. Ms. Hodges said we can discuss the topics that AC members will brief us on for the September meeting via a poll.

Mr. Wallace said he will send information on the AC candidate for IAF to follow up.

Introduction of JDG contractors

Ms. Hodges introduced Paul Belford and Walter Sczudlo from JDG Associates; Mara Quintero, from the Office of General Counsel; and Pam Palma, Director of Information and Management Systems. Ms. Quintero and Ms. Palma are responsible for the technical management of the contract with JDG.

Ms. Hodges explained that Chairman Salazar had asked for the executive search firm to give an overview of who they are and their process in the search for IAF president. The Board will then have the opportunity to ask questions and provide input or guidance with respect to the function that JDG is providing for the Board.

Mr. Sczudlo said they were primarily interested in getting input from the Board as to what they are looking for in candidates. They have modified from their usual process based on the requirements of the Request For Proposal. Ms. Hodges said that is primarily because this is a government position rather than a non-profit position.

Mr. Sczudlo said JDG handles one-third for-profits, one-third NGOs and one-third government searches. One of the things they do initially is learn as much as possible about the organization and what they are looking for. The position announcement that they are using is a little less specific than the typical position description and is used

primarily as a marketing tool. They send the announcement to potential candidates and make contacts through their own networks and internal database. They do an initial phone screen of potential candidates, and if they sound like they may be of interest they bring them in for an in-person interview. At that point, they will present the candidates to the IAF Board and the Board will conduct interviews. JDG guarantees their services; if the individual who is hired leaves at any point during the first year, then JDG will conduct another search process.

Mr. Sczudlo said he and Mr. Belford commenced a strong outreach to targeted organizations such as the OAS, where they had a number of senior people responding as potential candidates and as sources of information. Other contacts include the UN Foundation, Center for Global Development, World Bank, Carnegie Endowment, USAID, and the IDB. They have also identified new areas where they can look.

Mr. Belford said an issue they are having is that Foreign Service Officers (FSO) cannot “double dip.” Ms. Hodges explained that this refers to senior FSOs who are about to or have recently retired from State Department or USAID, who could potentially be good candidates. Ms. Hodges said we are working with HR and doing legal research to see if there is anything that will permit double dipping in these circumstances. Retired active duty military has legislation that allows them to receive their full government salary, post their military retirement, and their full military pension. We have tried to apprise the contractors about this issue early on so that during the initial screening they can advise potential candidates to discuss the matter with the necessary sources.

Mr. Belford said the normal momentum is that after about six to seven weeks, they have seen most of the good candidates by that point and names start recurring.

Ms. Arnold said it is good they are letting people know about the financial situation early on. She is glad that we did not decide to close the door to State Department folks because they might be the best candidates.

Amb. Dodd asked if they are looking in the private sector as well. Mr. Belford said yes, but they are not always the best candidates because they are not accustomed to working in this context. However, the search is wide open.

Mr. Sczudlo said they are not excluding any potential sources. There are only two impediments they have encountered thus far. Salary level is a limitation, less so for government employees, but particularly for the private sector. In other government searches, they have encountered private sector individuals who are looking for a placeholder rather than a long term investment in the position and/or government work. The other impediment is the US citizenship requirement.

Mr. Wallace asked about the timeline. Mr. Sczudlo said they provide biweekly reports to OGC. They are required to provide an assessment of the 10 strongest candidates by June 8.

Ms. Hodges said the position is announced it as 'open until filled'. Since we have entered the search and competitive process period, there is a 90-day timeframe for the major deliverable. Hopefully we will have the new IAF president in place by late summer/ early fall.

Mr. Wallace asked if OGC is going to send the biweekly reports to the Board. Ms. Hodges said that the report is a technical document. The role of the search firm is to screen and help identify candidates.

Ms. Hodges mentioned that there are some potential candidates who are heavy hitters and they do not necessarily want to be part of the competitive process. Ms. Arnold said having the search firm gives us some insulation. It cuts down on the lobbying. If someone contacts a Board member about their interest in the position, they can be referred to JDG.

Chairman Salazar asked if it will only be the list of 10 candidates that is provided in June. Mr. Sczudlo said that will be the deliverable. Ms. Hodges said we can provide the information on the top 25 candidates if the Board would like. Mr. Sczudlo explained that in terms of all of the candidates who apply, usually they provide the names of those candidates who meet the criteria, in part to protect the confidentiality of those who do not. If all or most of the candidates presented did not make the cut in the minds of the Board, they would go to the next list or start re-recruiting. Ms. Hodges clarified that she did not want the Board to think that there is information, whether process or individuals, that we would keep from the Board. If the Board wants that information, it is available. Her understanding was to give the Board just a little bit of distance.

Mr. Wallace asked about the process if a Board member knows someone who would be a good candidate, or is interested in the position. Mr. Belford said those individuals should be directed to Mr. Sczudlo.

Mr. Vaughn said we should have the ability to have an 11th hour candidate. Ms. Hodges noted that we wanted to maintain flexibility so that is why the position is 'open until filled'.

Mr. Belford said that in addition to the top 10 candidates, the Board may have one or two of their own. They are not limited to the 10 candidates provided by JDG. Ms. Hodges said the issue is the Board has elected to have a search firm conduct the search. While the Board is able to pick anyone they would like, at any point, the question is what does that do to the search process? If the Board is going to pick someone now, why go through the exercise of having a search firm?

Chairman Salazar asked Mr. Sczudlo to describe what they are looking for in potential candidates.

Mr. Sczudlo described the criteria as JDG understands them to be.

1. The president should be knowledgeable about the region where the Foundation works.
2. The president should understand the US political system, including Congressional oversight and appropriations process, and how to work within the Administration.
3. The president should have an understanding of the NGO/non-profit community.
4. The president should be someone who can raise the public profile of the organization toward two objectives: (a) raise the awareness of the good works that the organization engages in and (b) increase the funding of the organization.
5. The president should be someone who can help the Board in its strategic planning exercises, understand current trends in funding and substantive development activities, and develop new kinds of strategic and tactical partnerships.

Chairman Salazar asked for comments from the Board.

Mr. Vaughn said Congressional Affairs will be extremely important going forward.

Amb. Dodd suggested language proficiency is important. Ms. Arnold agreed. Ms. Hodges said that is a highly desirable factor. Chairman Salazar said we like the wiggle room.

Mr. Wallace asked what personality characteristics they think are important for the job. Mr. Sczudlo asked the Board for their thoughts.

Mr. Wallace said leadership is important. Ms. Arnold added that a history of leadership is important.

Ms. Arnold listed several important characteristics. A person who is favorably known to the international community, the Hill, media and business. That means not a person who could not get confirmed as a political appointee, from either side of the aisle. A rainmaker with the media, decision-makers, the Hill, the Administration. A history of solid management of an organization. Someone who believes in grassroots development and has a history of it. Someone who has high energy and this is not their last job. Someone who is motivated to succeed.

Mr. Wallace suggested someone who is not going to be frustrated by resource constraints.

Mr. Belford asked if it is a good or bad thing if the president becomes the face of the organization after a few years. The Board said it is generally a good thing if he or she does a good job.

Chairman Salazar said he would like to see a strategic thinker who can assess the situation and all the variables, and can evaluate options and opportunities and maximize the IAF's position. Someone who would bring initiatives to the Board. A self-starter to help us position ourselves for the future, especially in the context of foreign assistance reform. Mr. Sczudlo agreed that is consistent with their understanding. The organization needs to raise its profile based on its success.

The Board emphasized the importance of someone who is moving forward and is motivated to do well, and has a history of proven leadership.

Meeting adjournment

Amb. Dodd moved to close the meeting and go into Executive Session, under personal privacy 22 CFR 1004.4 (e). Ms. Arnold seconded the motion. All Board members were in favor. Ms. Hodges certified the Executive Session as closed.

The Chairman adjourned the meeting at 1 p.m.

**Minutes of the Meeting of the Board of Directors
Inter-American Foundation
December 13, 2010**

The Board of Directors of the Inter-American Foundation (IAF) met at 901 N. Stuart Street, Arlington, Virginia, on December 13, 2010. Board Members present were John P. Salazar, Acting Chairman; Thomas Dodd, Acting Vice Chair; Kay Arnold, Secretary; Jack Vaughn, Member; and Roger Wallace, Member. Advisory Council members in attendance were Chair James Jones, Elena Echavarría, Cynthia Radding, and Dumas Siméus. IAF staff members in attendance were Robert Kaplan, President; Linda Kolko, Vice President for Operations; Jennifer Hodges, General Counsel and Senior Vice President; Jill Wheeler, Regional Director for Central America and Mexico; Wilbur Wright, Regional Director for South America and Caribbean; Emilia Rodriguez-Stein, Director of Evaluations; and Cindy Soto, Executive Assistant.

I. CALL TO ORDER

The Chairman called the meeting to order at 9:05 a.m.

II. APPROVAL OF THE MINUTES

The minutes of the March 29, 2010, Board of Directors meeting were approved and adopted by a unanimous vote.

Mr. Kaplan suggested a change in the way we record open session Board meeting minutes. They would be summary minutes, designed to record conclusions and follow-up points. A draft would be available within a few weeks of the meeting and approved at the next Board meeting. An audio recording of meetings will also be kept as an agency record, and any closed session Board meetings would have verbatim minutes.

Chairman Salazar asked the Board if this was acceptable and all agreed.

III. ADVISORY COUNCIL REPORT AND RECOMMENDATIONS

A. Colombia

Ms. Echavarría gave an overview of President Juan Manuel Santos's agenda and the effects on development work in Colombia. President Santos's agenda encompasses a more comprehensive approach to economic and social development than that of the prior administration. Areas of interest are governance, environmental sustainability, and international integration and innovation. The democratic security policy includes issues like human rights, reintegration, reconciliation and land restitution. The social policy encompasses reducing poverty, addressing the needs of early childhood, and strengthening educational services. Security challenges are present in the countryside

and in large cities, including 10,000 men, women, and children fighting against the state and the presence of paramilitaries.

There are five growth engines: housing, transportation, agrobusiness, energy and mining, and other sectors such as information technology. The poverty level is at 45% and affects 28 million people. The goal is to bring 2.5 million people out of poverty. The unemployment rate is 12% and the goal is to reduce it to 8%. One short term goal is to formalize 5,000 jobs.

Ms. Echavarría highlighted the issue of land restitution and land formalization, which had not been addressed previously. Three and a half million people are internally displaced and the present administration plans to return 200,000 families to their homes.

The Colombian congress is discussing several initiatives:

1. A land reform bill. It is the first time in 30 years that the government is talking about the issue. The aim is to restore 2 million hectares to the dispossessed over the next four years and to formalize land titles. Loans and grants for technical and financial assistance will be provided by the private and public sectors. Public-private alliances are promoted by the government, and private banks, NGOs, private foundations and foreign agencies will all contribute. Ms. Echavarría does not know the exact amount put aside for this initiative, but she will look into it.
2. A bill for victims of violence. This deals with reparation for 4 million people affected by violence during four decades of armed conflict. It includes debt relief, humanitarian relief, healthcare, and financial support for land acquisition.
3. A royalty bill. Deals with the distribution of royalties from energy resources to all areas and will help provide sustainable regional development. A regional compensation fund will be established, with 10% for science and technology.
4. Healthcare reform to help restore financial sustainability.

President Santos's style indicates transparency, effectiveness, and accountability and has opened spaces for tolerance and reconciliation. The torrential rains in Colombia will be a challenge, but President Santos has shown he has the political courage to face challenges.

Ms. Echavarría said there is a fertile environment for development work in Colombia and the work of the IAF will find open spaces at this moment.

Chairman Salazar opened the floor to questions and comments.

Amb. Dodd referred to published reports in the US and Mexico about a slow, cautious move to shift foreign policy away from association with the US. He asked if there have been any signs of that movement, particularly with regards to Venezuela. Ms. Echavarría said President Santos will likely consolidate the relationship with the US to move beyond military aid and include trade and cooperation. He will also seek to strengthen relations with the US and other foreign actors including Asia and the European Union.

Amb. Jones asked if President Santos was under internal domestic political pressure to diversify away from the US if the free trade agreement is not passed. Ms. Echavarría indicated that one of the pillars of President Santos's agenda is international integration. He is not diversifying away from the US, but there are other mechanisms besides the free trade agreement.

Ms. Echavarría said President Santos has shown support of local municipal government, which plays an important part in social development, and in particular rural development.

B. Mexico

Amb. Jones said Mexico's economic outlook has improved in the last year. Banking institutions and governmental institutions supporting the economy are strong. There is a 4% growth in the GDP this coming year which is almost double what it will be for the US. Mexico has diversified trade but the US is still the big trading partner.

Political institutions are strong. Presidential elections will take place in 2012 and will probably be a very competitive campaign. Many political analysts point to a PRI win in 2012. The frontrunner is the governor of the state of Mexico, Enrique Peña Nieto. The PAN is having internal problems and is struggling to find a good candidate. As far as the PRD, it may depend on what Andrés Manuel López Obrador decides to do. Also, Marcelo Ebrard, the current mayor of Mexico City, has a good record to run on and may decide to be a candidate.

The security issues are mostly confined to seven or eight states in the north and northwest. Mexico is training an elite federal police force to take over the war against drug trafficking. Amb. Jones thinks that will lead to better results. Criminal groups have entered into extortion and kidnapping. Amb. Jones's personal judgment is that drug organizations will move to other countries in the region such as the Dominican Republic and Haiti in the next five years if the drug wars continue.

Chairman Salazar said he was surprised by Amb. Jones's bullish report on Mexico; Mr. Wallace concurred. Chairman Salazar opened the floor for comments and questions.

Amb. Dodd referred to an article in the Washington Post about Mexico drug violence and asked about the implications. Amb. Jones had not seen the article, but commented that the US has been weak on enforcement issues with respect to the shipment of money and arms to Mexico. The Justice Department is conducting specialized training for tracing and intercepting weapons, to include more pressure on gun shows.

Mr. Wallace noted that people are struck more by the quality of the violence than the quantity – that some of the most extreme forms of violence are a new development in Mexico. He recently spoke with Geronimo Gutierrez, Mexico's former Under Secretary of North American Affairs, who said there are so many guns and sophisticated weapons in Mexico that it does not make a difference. The real issue is about money; we are talking about billions of dollars.

Mr. Kaplan asked about migration and the role of drug traffickers, as moving people across the border is similar in some ways to moving goods. Amb. Jones said that business is down for coyotes; he considers the most effective policy is to go after employers in the US.

Ms. Hodges asked Amb. Jones if there were other sources aside from US embassy RSO's to help inform the decision-making on IAF funding in Mexico with regards to the security issue. Amb. Jones emphasized two points: (1) we should rely on local contacts, and (2) the IAF could focus on youth programs that encourage youths to stay in school and get involved with community activities that can give them meaning.

C. Migration and Transnational Circuits – Significance for Mexico and the US

Dr. Radding's presentation focused on two main objectives: (1) to describe the economic structures and sociocultural significance of migratory routes and transnational circulation (people, capital and goods) between the US and Mexico, as the gateway to Latin America; and (2) suggest possible ways the IAF could intervene.

Dr. Radding outlined the impacts of migratory labor in North Carolina, and migratory circuits and communities of origin in Mexico. She noted the responses of the government and the private sector to each.

Dr. Radding described in detail the economies of migratory circuits in the US, highlighting North and South Carolina, in terms of demography, social impacts and macro-economics.

The economies of migratory circuits in Mexico were analyzed in terms of demography, communities and domestic economies. This includes the benefits and challenges with remittances. The governmental response on the US side encompasses border control, employer sanctions, and the virtual and physical wall at the border. On the Mexico side, the government has created a "3 for 1" funding program to manage the flow of remittances. It also established a network of consulates to provide services to migrants in the US through national identity cards and educational programs, among others.

In Mexico, the Ministry of the Economy (infrastructure; job creation) and the Ministry of Social Development ("3 for 1" program) have dedicated funds to social and economic development in areas of high poverty. Specific examples were given of civic organizations, NGOs and humanitarian organizations in Mexico and the US that support migrants.

In conclusion, the programs initiated by the government, civic associations and NGOs in Mexico allow for targeted investment. These coincide with the IAF's guidelines to promote economic development, productivity and community solidarity, not only in Mexico, but in other Latin American countries. These programs serve to unite resources from different entities; evaluate the accountability of administered funds; generate

employment and sources of income in Mexico; and recognize that migratory networks continue to grow and economic disparities will be mitigated by development projects.

Board members thanked Dr. Radding for her presentation. Ms. Arnold added that the report is clearly articulated and has media relevance.

Follow-up: Staff will circulate copies of the presentation to Board and Advisory Council members.

D. Haiti

Chairman Salazar asked Advisory Council member Dumas Siméus and Board Member Jack Vaughn to give their thoughts about the situation in Haiti.

Mr. Vaughn just returned from Haiti where he met in the town of Léogâne, west of the capital, with local staff of an organization that is constructing wells. Protests related to the November 28 elections caused people to take to the streets, cause roadblocks and burn tires. They locked down the capital and the airport was closed. While he was always safe, Mr. Vaughn was unable to leave the country when originally planned.

Mr. Siméus described the political situation in Haiti which is currently at a gridlock with respect to the presidential elections. While visiting Haiti over the last several months, even when he was a presidential candidate, Mr. Siméus listened to the people. He highlighted three main points from his discussions with Haitians:

1. The Haitian people do not want the Haitian government anymore because it does not serve the people. They feel their situation is getting worse.
2. They do not want elections for presidents or congress people.
3. Since only international organizations showed up after the earthquake, we should give the country to international organizations.

Mr. Siméus offered his personal suggestion to put everything on hold. First, allow President René Préval to complete the remaining weeks of his term. Then a committee comprised of Haitians living in Haiti and elsewhere, members of European communities, Canada, and the US would give options on how to govern the country – such as putting the country under a protectorate – and let the people decide.

IV. ROLE OF ADVISORY COUNCIL

The following reflections were presented as input to help define more clearly the role and means of engagement of the advisory council. Three members of the Advisory Council were present for this discussion.

- Ms. Echavarría, Ms. Radding and Mr. Siméus agreed that being on the Advisory Council has been a rewarding experience.

- Individual Advisory Council members' presentations at Board meetings have been very useful to the Board and senior management. This is consistent with the first point in the council's charter.
- The Board could ask the Advisory Council to tackle a specific issue of particular interest to the IAF.
- There may be ways for Advisory Council members to engage with staff between Board meetings. To this end, individual members could be engaged in activities or areas where they have particular knowledge or experience. They could be helpful in reviewing projects proposed for IAF funding or visit IAF funded groups to take advantage of topical interests.
- We could have an issue of the IAF journal devoted to articles by Advisory Council members and former fellows. Or we could invite them to write an op-ed about the Foundation. Staff circulated a recent positive article written about the IAF in the Las Cruces Sun-News (though not by an Advisory Council member).
- Staff mentioned a few examples where Advisory Council members helped disseminate the IAF's programs. They also cited examples where members helped establish links with the private sector.
- The budget is a huge issue across the government in the next two years. We should be careful about adding costs, and we should set expectations reasonably.
- The procedural change to summary meeting minutes will also help keep Advisory Council members informed.

The following reflections were presented as input for selecting a new Advisory Council members other than those already specified in the Advisory Council's charter.

- The Advisory Council is an important resource to the IAF and should be aligned with the agency's strategic plan. It might be helpful to include media or public relations expertise on the council. Political experience would also be important in helping to frame our work to political audiences.
- At a time when the direction for foreign aid is changing, it is useful to have an outside picture from the Advisory Council.
- The Advisory Council should reflect important constituencies in the region, perhaps from Mexico or Central America.
- In view of the large number of IAF fellows (over 1,000), perhaps we should include a fellow on the Advisory Council. Although not related to the Advisory Council, perhaps we should try to raise funds from the fellows to support the IAF's work.

Follow-up and next steps:

- The Board asked Mr. Kaplan to take the discussion into account and consult with Board and current Advisory Council members as necessary to present a proposal for the new Advisory Council at the March 2011 Board meeting.

V. PRESIDENT'S REPORT

A. 03/29/10 to 10/31/10

Ms. Kolko presented the Interim President's report covering the period since the last Board meeting (March 29, 2010) to October 31, 2010.

In FY10, we funded 75 new grants and amended 46 grants throughout 21 countries. We had almost \$1 million worth of projects ready to fund but we ran out of money, so we were able to fund them in October due to SPTF. In FY10, grantees raised \$3.6 million beyond the counterpart promised in grant agreements.

Impact evaluations were conducted on five projects that ended five years ago in Guatemala, El Salvador and Bolivia. A health community project in Guatemala that was funded in 2005 is continuing its activities now funded as part of the government of Guatemala's regular health services, and there are impacts in terms of improved maternal and infant mortality rates. The El Salvador evaluation included 24 associations. In Bolivia, a group is working with alpacas and creating water reservoirs for the animals. Dr. Rodriguez-Stein emphasized that the evaluations help to empower the grantees and are a great resource for learning.

The IAF signed an inter-agency agreement with the State Department as part of the Inter-American Social Protection Network, where \$850,000 was transferred to the IAF. We are working with the Chilean and Paraguayan governments to provide technical assistance in creating and better managing social protection programs. The program could eventually spread to Mexico and Colombia.

The federal government is operating under a Continuing Resolution (CR) until December 18.

The IAF received a clean financial audit.

B. 11/01/10 to Present

Before joining the IAF, Mr. Kaplan met with former presidents of the IAF to get advice from them. He also invited all IAF staff to email him and provide input, and he heard from almost everybody. Mr. Kaplan highlighted a few common themes.

1. How passionate and committed the IAF staff is. This is a great resource and a challenge as well.
2. We are siloed to a surprising extent. We tend to think in terms of country-by-country programs but we do not systematically collect and apply learning and experience across countries.
3. The whole has to be greater than the sum of its parts. It is not just about what happens in each community, but what we learn from that and share with others.

Mr. Kaplan highlighted three challenges: (1) need to break down the silos and get the whole agency working together more effectively; (2) communications – how to get the IAF message out more strategically; and (2) using all resources effectively.

Mr. Kaplan recently met with two US ambassadors to the region, who sought meetings with us while they were in town last month – Amb. Vilma Martinez (Argentina) and Amb. Raul Yzaguirre (Dominican Republic). Mr. Wallace said we should be proactive and invite the ambassadors to meet with us as a normal course of business. Ms. Echavarría said Colombia has a new US ambassador, P. Michael McKinley, and said he would probably be interested in learning about the IAF.

Follow-up: Mr. Kaplan will discuss with Assistant Secretary Arturo Valenzuela the possibility of scheduling a briefing with each new ambassador as they go through the confirmation process.

VI. IAF PROGRAM ACTIVITIES

A. Central America and Mexico

In Central America, a few of the most exciting topics are transnational programs around migration and development.

In El Salvador, Asociación Cooperativa de Producción Agropecuaria La Alternativa (ACPALA) works with fruit processing farmers [ES-242]. They have generated a partnership with the El Salvador – US Chamber of Commerce to strengthen their strategic plan and have been able to match some of our funding. The project deals with a combination of key themes.

A planning grant was awarded to Salvadoreños en el Mundo, a network of migrants living in the US, Europe and Australia [ES-243]. Through personal connections they use remittances to support local associations in El Salvador. We are supporting their strategic planning exercise to help them decide their priorities.

Ms. Wheeler suggested a role for the IAF as a longer term development approach could be working with hometown communities and diaspora supporters. We have supported close to 25 bi-national projects in the last 10 years.

We have not received too many youth proposals from Mexico, but we have received some from Central America and are supporting some interesting projects there.

Mexico is becoming a voice in environmental matters. Tlachinollan Grupo de Apoyo a los Pueblos Indios de la Montaña provides legal assistance and is undertaking a grant related to land use and natural resource management [ME-503]. The group is based in Guerrero and they are looking at environmental issues.

Mr. Wallace mentioned the Mexican American Leadership Initiative which is modeled on an initiative with the Pakistan diaspora. The State Department asked the US–Mexico Foundation to raise significant funding from the business community to fund projects in

Mexico. Jim Polsfut has become the President and CEO of the US–Mexico Foundation; Mr. Wallace encouraged the IAF to be in touch.

B. South America and Caribbean

IAF grantee Fundación Pro Vivienda Social from Argentina was one of three winners of the Ashoka Changemakers Leveraging Business for Social Change competition.

Foundation Representatives are considering new projects in Brazil, Peru, Argentina, and Bolivia, among other countries. Some themes are water management and the environment. In Colombia, themes include the environment, especially in the Pacific coast; Afro Colombian youth; local government; and agricultural diversification.

As far as funding in Venezuela, we have tried different tactics but are still unable to obtain visas. We have six active grants there and contractors on the ground. RedEAmérica has corporate members in Venezuela.

Themes for the two new grants in Haiti are the diaspora; issues related to the aftermath of earthquake; moving from Port-au-Prince back to rural areas; getting children back into schools; cultural expression; women and youth.

Mr. Siméus said that, given the cholera outbreak in Haiti, the need for water is more pronounced than ever. He asked what the IAF will do to provide clean water. Is the IAF involved in drilling wells or helping communities get water? In terms of education, part of the IAF mission should be to help build vocational schools so that kids can learn a trade and then find work.

Mr. Wright said the IAF is a responsive agency, not a proactive agency. We support institutions and fund specific projects.

Mr. Vaughn said that clean, potable water is foundational for economic development. He would encourage the IAF to look at smaller grants in the area of sanitation and water. Mr. Kaplan said that drilling wells is the easy part, and that the real challenge everywhere is keeping water systems running, which takes managerial capacity and designing systems with communities' real capabilities in mind. The IAF's added value has to do with our ability to assess community capacities and then build on them.

Mr. Vaughn suggested another area where we might engage in Haiti is with civil society that developed within the tent communities. A third possibility is job development in trash collection, sorting and recycling.

VII. OPERATIONS

A. 40th Anniversary Activities

Ms. Kolko thanked Advisory Council member Rita Di Martino for her assistance with the events in New York related to the IAF's 40th anniversary. The IAF also held a successful event at the Smithsonian National Museum of the American Indian in June 2010. In November, we invited several IAF grantees to participate in a series of events in Albuquerque, New Mexico focused on the successes of preserving heritage through development as highlighted by the work of indigenous artisans who are improving the lives of their families and communities through the sale of high-quality crafts.

Mr. Wallace suggested reviewing these events to see if they accomplished what we intended and to use lessons learned for future commemorative occasions.

Follow-up: Ms. Kolko will organize a review.

B. IAF Web site Update

After a long process, the new IAF Web site was created by the Government Printing Office (GPO) and we received notice that the site meets security requirements. GPO is in the process of transferring the content into the new site. We expect to launch the new Web site in mid-January; it will initially be available as a link in the current site and they will run concurrently for a few months.

C. Fellowship Program

Fifteen new fellowships were awarded in the last cycle. At a previous Board meeting, it was suggested that the fellows could post their dissertations. At their mid-year meeting in February, the fellows expressed reservations due to piracy. The fellows prefer to be contacted by those interested in their research.

Dr. Radding explained there are two phases: (1) when the dissertation is defended and (2) when the dissertation is filed. After the latter has taken place, then the document can be copyrighted and should then be accessible to any interested party. The process takes a few weeks.

There was discussion that the IAF should incorporate the fellows' research into our strategic plan. We spend about \$500,000 annually on the fellows program and we should leverage those resources.

Follow-up: We should accelerate the process of locating past fellows with the aim of creating a Fellows Network to support the IAF's work.

D. Publications and Marketing Materials

GPO entered two publications developed by the IAF, the environmental brochure and the 2009 annual report, in the Blue Pencil competition for superior government publications. News releases announcing IAF's 2010 awards in 20 countries were forwarded to the Bureau of Western Hemisphere Affairs of the US Department of State for distribution by

the respective US Embassies. The 2010 journal was adapted to include an update on Haiti.

Mr. Wallace suggested we send the brochure highlighting IAF's work in the environment to environmental organizations, along with a personal note from Mr. Kaplan.

E. Fiscal 2010 Report

We were able to meet our critical needs for FY10. OMB received the IAF's FY12 submission; our request was \$30 million. The IAF is still awaiting the final mark to be included in the President's FY12 budget.

VIII. CONGRESSIONAL AFFAIRS

A. Overview

There have been changes on the Hill, not just in terms of the recent elections but also in terms of key staff changes, and we are working to establish relationships. Mr. Wallace suggested we should meet with Senator Marco Rubio.

Foreign assistance will be a tough industry in the next few years. The key is articulating what it is about the IAF carrying out our mission that is relevant and that other funders are not capable of achieving.

In response to the New Mexico events, we received letters of recognition from Senator Jeff Bingaman and Congressman Martin Heinrich.

Congressional Affairs is setting up meetings to introduce Mr. Kaplan on the Hill.

Mr. Siméus asked if we encourage Members of Congress to visit IAF projects when they are traveling to the region. Mr. Vaughn asked if we could invite Congressional staff or Members to participate in the annual Board trip. Ms. Hodges said Congressional Members and staff have visited IAF projects in the past. Scheduling is the main challenge. We should also be mindful of the public relations image of Board trips in this challenging time of budget cuts. Congressional staffers may develop vocal opinions about whether or not they are necessary at all.

B. FY11 Budget Status

There are currently two options under consideration for FY11. The first would be a year-long Continuing Resolution, which would keep the FY11 budget at the FY10 budget level of \$23 million.

Another option would be an omnibus package with the possibility of a \$25 million mark for the IAF. The Senate appropriations committee has included report language to establish a \$2 million fund in honor of outgoing Senator Christopher Dodd ("Dodd

fund”). The IAF or USAID could be selected to administer the Dodd fund. However, if the government proceeds on a Continuing Resolution, the Dodd fund would not be established during FY11.

C. FY12 Congressional Budget Justification

The Office of General Counsel/Congressional Affairs is gearing up its work on the FY12 Congressional Budget Justification.

IX. REDEAMÉRICA

RedEAmérica held its annual meeting in Lima in August. Executive Director Margareth Florez met with IAF senior staff and Foundation Representatives in September. Mr. Kaplan has been invited to participate in a RedEAmérica seminar in Cartagena in March 2011. He will also meet with their board of directors.

RedEAmérica is interested in a memorandum of understanding with the IAF which could function as a credibility certificate. They have disbursed \$850,000 of the MIF grant that was awarded to them. The diplomado program is going well.

Mr. Wallace emphasized the key point of scalability. The IAF was the stimulus to get RedEAmérica going. The IAF has opportunities to show how we are different and there is great potential, but there have also been challenges. RedEAmérica needs to be a critical part of the IAF’s strategic plan.

Mr. Vaughn mentioned that we tried to leverage dollars when we met with domestic groups, but there were challenges. He would encourage us to have representation at the Council on Foundations events. Ms. Wheeler said we did not participate this year, but some IAF staff did participate in the Grantmakers without Borders conference.

Mr. Kaplan will be reviewing and assessing the IAF’s relationship with RedEAmérica. There has not been any definitive action yet, and he will take time to consider the topic going forward.

Follow-up: Mr. Kaplan will report to the Board after his meeting with RedEAmérica’s board in March.

X. DISCUSSION / IAF GOING FORWARD

Mr. Kaplan described the strategic planning process which will begin this year. In an effort to crystallize our expertise, we are taking an inventory of thematic expertise. One of the challenges is to bring more of a strategic orientation to the kinds of grants we fund in terms of what we want to learn.

Another important point is fundraising. While we are not ready to go there yet, we may be going to corporations and foundations looking forward.

Mr. Kaplan emphasized the importance of being strategic in our communications. He has been pushing hard for the new IAF Web site to be completed.

Mr. Kaplan will be leaning on the Board over the next months. Amb. Dodd said Board members can think individually in the months ahead. Further down the road, we should spend time as a group on fundraising.

Chairman Salazar said former IAF president Larry Palmer had mentioned that organizations like the MCC might contribute to the IAF. Mr. Kaplan and the Regional Directors recently met with the CEO of MCC, Daniel Yohannes. It is not likely the MCC would contribute to the IAF. In fact, they are reducing their presence in Latin America.

Mr. Kaplan and staff also met with Mark Feierstein, the USAID Assistant Administrator for Latin America and the Caribbean. USAID is focusing its work on a few global initiatives (Food for the Future, Global Health Initiative, Climate Change), and staff were interested in hearing the IAF's experience at the community level. They commented that USAID's small grants tend to be much larger than the IAF's average grant.

Mr. Kaplan met with the Peace Corps Director, and has requested a meeting with the Overseas Private Investment Corporation.

It is important to highlight our partnerships. Chairman Salazar asked if we have partnerships with the Inter-American Development Bank. Mr. Kaplan said there may be some ad hoc initiatives where we are working together, but nothing systematic, which would be more difficult and probably more symbolic than practical.

Follow-up: For the March 2011 Board meeting, discussion points and questions will be posed to the Board as part of the strategic planning process. It is anticipated that the process will be completed by the end of the fiscal year.

Amb. Dodd expressed special recognition to Ms. Hodges and her staff. Chairman Salazar and the Board complimented and thanked Ms. Hodges for organizing a thorough and effective presidential search process. It was done professionally and with positive results in selecting Mr. Kaplan as the new IAF president.

XI. NEXT MEETINGS

The next Board meetings are scheduled for Monday, March 28, 2011; Monday, September 26, 2011; and Monday, December 12, 2011.

With respect to the June 2011 site visits, Chairman Salazar said we do not need to decide today where they would take place. If we decide the location by March 2011, there is enough time to plan the trip. Chairman Salazar noted there are some concerns with the federal budget being cut. Mr. Wallace said perhaps Board members could take care of

their own travel costs and we could also have fewer IAF staff members participate, but it is a good idea to have a Board site visit.

There was discussion about possible locations, including Brazil and Peru.

Follow-up: This will be an agenda item for the March 2011 Board meeting. IAF staff will have trip proposals ready at that time.

XII. ADJOURNMENT

Chairman Salazar adjourned the meeting at 2:40 p.m.