

**DAC Informal Network on Poverty Reduction  
Scoping Study**

**A Case Study of  
The United States Agency for International Development  
(USAID)**

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# DAC Informal Network on Poverty Reduction Scoping Study

## USAID

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corrective statements are welcomed.

## Introduction

There is no roadmap for “doing poverty reduction.” No one has yet written the definitive guide to advise development professionals on the appropriate mix of program and project ingredients to be applied, perhaps given a specific country’s base conditions (institutional frameworks, level of development, structural characteristics, etc.), and in which order they should be applied, in order to achieve rapid and sustainable, broad-based growth of incomes and standards of living. When the magic formula is discovered, Nobel prizes and sainthood will surely be awarded to the individual(s) responsible for solving this century’s most intractable challenge: how to help people out of poverty.

Development agencies may not have the resources to measure poverty and its evolution themselves and often rely, therefore, on the World Bank to do it for them. However, most agree on the basic elements which define or identify the poor. Different agencies may dispute the appropriate weights to accord to each of these elements, but there is broad consensus that *people are poor when their living standards are below a certain threshold*, defined by a number of different proxies, including income, food consumption, health or education, and so forth. And there is broad consensus that *to not be poor means having a job to earn a living to provide at least food and shelter, if not education and health services as well, for one’s family*.

In addition to these basics, many development agencies incorporate into their programs some notion of gender (recognizing that women suffer disproportionately in poverty and thus deserve special focus), governance (recognizing it is no longer appropriate to work on development solely through host country government counterparts; rather, a more vibrant cross-section of developing country civil society needs to have its views articulated as well), environment (recognizing that in many instances it is poverty – and the coping mechanisms which poor people are forced to adopt as a result – which is at the root of resource degradation problems), and crisis prevention (recognizing that the transient poverty created by natural and social disasters is every bit as critical, deadly, and defeating as chronic poverty).

Thus the programmatic themes we find echoing through our interviews<sup>1</sup> incorporate some combination of economic growth, social sector development, participation, gender, and “sustainability” as the necessary ingredients for “doing poverty reduction.” It is not always packaged that way for popular consumption, but it seems clear that if a development program seeks to stimulate economic growth for as large a beneficiary pie as possible, educate the masses, ensure their health and food security/nutrition, stabilize population growth, strengthen the voices of the disenfranchised, strategize new ways to use natural resources which provide for a sustainable relationship between the populace and the earth, avoid conflict and mitigate disasters whenever possible, and alleviate the suffering of those affected when avoidance and prevention is not possible, then that agency is *definitely* working on/striving for/aiming toward poverty reduction.

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<sup>1</sup> The authors of this case study are also responsible for the write-ups of poverty reduction programs at the World Bank and the International Monetary Fund.

That is the case of the U.S. Agency for International Development.

It may be defensive about the lack of the word “poverty” in its strategic objectives, it may not fit the model of the World Bank up the street with an official poverty czar at the helm of the campaign and a family of recognized poverty specialists woven into every bureau and mission, but it is clear to a large portion of the staff of USAID whom we interviewed that reducing poverty is what development – and thus USAID – is all about. These committed development professionals work under the tightest of conditions, resources for operating expenses and development assistance having been stretched so thinly by budget cutbacks that all attention is focused on maximizing results rather than thinking deeply or broadly about policy direction or worrying about articulating that to the public.

If anything, the lack of a titular office at USAID in charge of poverty reduction is the result of this objective being so well mainstreamed into Agency operations, and thus the co-responsibility of so many different offices. In any case, in this 1990s era of needing to show results to the ultimate footer of the ODA bill in the United States (i.e. the U.S. taxpayer), “reducing poverty” is what you’d better be able to show you’ve done at the end of the day, by pointing to progress made, thanks in part to the humble efforts of USAID, as measured by a host of economic and social indicators.

Ironically, as public support for “doing poverty reduction” continues to be strong in the U.S., as evidenced by high levels of contributions to PVOs and by responses to public opinion polls regarding peoples’ notions of the “optimal” level of development assistance as a percentage of the government budget or of GNP, USAID itself seems to lack a spokesperson at the top to articulate USAID’s role in all of this. At a time when both the President of the World Bank and the Managing Director of the International Monetary Fund are taking to the streets, or at least public fora and op-ed pages of national newspapers, to express leadership regarding the need for pro-poor, high quality growth that brings benefits to as wide a mass as possible, the office of the Administrator of USAID seems relatively quiet.

By the same token, it is also clear that there are always real fights being fought within bureaucracies, and the U.S. government is no exception here. What may look like policy coherence when expressed in department-, agency-, bureau-, and mission- level strategic plans, available to any and all interested citizens of the world at U.S. government websites, does not always feel “coherent” when being debated in the trenches. The U.S. Congress has its own ideas about what development means, as does the White House, and each imposes its own priorities on the development professionals in USAID. These priorities shift, as they do in all countries around the world, when the parties in power change and fresh winds sweep in new (preferred) paradigms. In addition, of course, different parts of the executive branch have different views on relative priorities. While the strategic plan for international affairs may rank development up there with national security, pressures *du jour* from *inter alia* the Departments of State, Defense, Agriculture, Commerce, and the Trade Representative’s office always crop up bringing different constituencies and interest groups to the fore at different times for different reasons.

The text below is mostly about offices and mandates and operations, as asked by the Scoping Study methodology. We have tried, through the access provided us to a small number of key

decision makers in USAID, to spice the relating of USAID's story with some of the "best practices" and the on-going intellectual debate we found that flavor day-to-day operations inside USAID.

## **I. Poverty Reduction Goals, Conceptions, Approaches and Channels**

### **1.1 The Poverty Reduction Goals of the Agency**

*USAID has a broad mandate to promote sustainable development, with poverty reduction one priority among several, including political stability, gender equality, environmental protection, and humanitarian relief.*

Six strategic objectives guide all of USAID's programs and activities:

- Broad-based economic growth and agricultural development encouraged
- Democracy and good governance strengthened
- Human capacity built through education and training
- World population stabilized and human health protected
- The world's environment protected for long-term sustainability, and
- Lives saved, suffering associated with natural or man-made disasters reduced, and conditions necessary for political and/or economic development re-established

Implementation of each of these strategic objectives involves identification of USAID objectives (essentially, each program's conceptual aims), performance goals (the concrete end result to be achieved), and the indicators to be employed in order to quantitatively track each program and show the intermediate results.

Poverty reduction figures most prominently in the first strategic goal regarding the encouragement of broad-based economic growth and agricultural development. Economic growth is seen as the overarching "growth engine" (i.e. most efficient programmatic emphasis for achieving objectives) to move people out of poverty. That it has not always resulted in poverty reduction is attributed as much to persisting constraints to getting growth rates up to make a difference to per capita incomes across social strata. However, USAID also recognizes that growth alone is insufficient, and thus the explanation of this first strategic objective very explicitly targets "poor, disadvantaged and marginalized groups," who are often women or in the countryside (USAID, 1998d, p.8). The underlying USAID objective aims for "access to economic opportunity for the rural and urban poor [to be] expanded and made more equitable."

One of the performance goals associated with this strategic goal is the reduction of the proportion of the population in poverty by 25 percent within ten years (i.e. by 2007), very clearly placing USAID in line with the International Development Goals set out in the OECD/DAC document *Shaping the 21<sup>st</sup> Century: the contribution of development cooperation*. The DAC's *Development Cooperation Review Series: United States* (1998) notes that the USAID performance goal can serve as a milestone for the DAC's own poverty reduction goal for the year 2015. Within any given individual country, USAID has the means to measure progress towards

that goal, but has not begun to assess overall progress nor the appropriateness of Agency policies for achieving it.

As for the other five strategic goals, the Agency's official language does not mention poverty reduction, in part due to conservative sensitivities which characterize the domestic political environment (see Box One). These are quite powerful constraints, and it is hard to overstate their influence on internal strategizing.

#### **BOX ONE**

##### **Domestic U.S. Politics: An Enormous Policy Constraint**

USAID is constrained in many ways by the domestic political environment in the United States. The foreign aid programs designed to benefit the poor must be consonant with the tenor of domestic social welfare programs, which have undergone fundamental reform in recent years. The main welfare program in the U.S. now features time limits on the receipt of benefits. The effect this has on USAID's rhetoric and programmatic choices in international arenas cannot be overstated.

The phrase "poverty reduction" is more or less intentionally avoided so as not to spark a negative reaction by conservatives within the U.S. Congress, who are wary of giving "hand-outs" even to the poor in the United States, never mind in foreign lands. The conservative fear of hand-outs is that they foster a culture of dependency rather than one of self-reliance, which is seen as a long-cherished American value. Given the budget and staffing reductions imposed on USAID in the 1990s, careful attention to the wording of programmatic intent is understandable. It is said that the USAID Administrator has "assiduously avoided the 'P' word."

Poverty is seen as a politically weak cornerstone. As one official said, "Rallying around poverty in a political context would simply open the door to heated debates pitting narrow direct approaches against broad indirect approaches (and in politics, narrow and direct often wins the day)." Nevertheless, USAID has put together "a strategic plan and framework that contains the most important elements of a poverty strategy."

Similarly, in describing its pro-poor economic growth strategy, the Agency must avoid any hint of advocating socialist-sounding income transfers that take away from the rich to give to the poor in order to reduce income disparities. As one staffer put it, within USAID there is almost an "allergic reaction to the word 'equity'." Thus, USAID employs the phrase "broad-based economic growth" for its first strategic goal.

Another tangible constraint is that the funding for some of USAID's programs comes with very stringent earmarks, or express instructions on what and how the money may be spent. As one official put it, "The Congress tells us exactly what they are willing to spend money on." In some cases, such as the child survival earmark, this limits the avenues from which a program manager can choose to address poverty reduction: by definition, the funds are available for child health/nutrition only. In other cases, such as the microenterprise program, a high percentage of loans are required to have both poverty and gender foci.

As mentioned in the introduction, both the U.S. Congress and the White House bring unique perspectives to setting priorities for the definition and implementation of development policy. The White House has the power to shape these through its political appointment to USAID's top leadership. The Congress' power is derived from holding the purse strings. It not only defines overall resource envelopes and budget priorities, it actually carves out budget "earmarks" through special accounts and initiatives and thus ties USAID's hands in terms of what kinds of programs it can implement. Since the Clinton Administration entered office in 1992, child survival, micro-enterprise credits, and education have received special attention, which differs

dramatically from the economic growth/private sector orientation under the Reagan and Bush administrations. Of the \$6.9 billion appropriation for FY 1999, only 17% of it is for discretionary development assistance, programmed wholly by USAID.<sup>2</sup>

Moreover, the relationship between Congress and USAID has been rather adversarial over the last six years, with calls by the former for elimination of the latter's bureaucratic independence, further adding to the reluctance of USAID staff to push any agenda item which it fears will not find support on Capitol Hill. Another subagenda is inter-agency competition. Were USAID to be subsumed into the State Department (the U.S. Ministry of Foreign Affairs), discretionary development assistance monies could be programmed by U.S. ambassadors, rather than by USAID mission directors, whose standing in USAID client countries may be disproportionate to their rank due to available budget resources. Lastly, there is some call on Capitol Hill for economic growth and development issues to be left to the multilateral development institutions to address, and for USAID to be limited to a humanitarian and disaster assistance agency. While none of these threats have yet come to pass, their remaining validity (as threats, that is) continues to preoccupy policy strategists within the Agency, which colors their levels of support for pro-active mission statements which might reach out to include "poverty reduction" as part of a reinvigorated Agency mandate.

However, interviews with Agency staff made clear that an implicit link exists between each of the strategic goals and poverty reduction.<sup>3</sup> It was suggested that if the DAC Scoping Study were intended to look at "poverty reduction and its related dimensions," all of USAID's programs would be included. A typical quote was: "Everybody here says, 'Everything we do is related to poverty.'" Several staff members underlined that the USAID "systemic" approach to sustainable development means that the six strategic goals complement each other and are "mutually reinforcing." The whole range of existing economic and social development tools are needed to reduce poverty. USAID has them all in its arsenal and selects those appropriate for the specific client country.

There is no doubt that gender is an integral component of USAID's approach to poverty reduction. Gender is viewed in the Women in Development Office in the Global bureau as analytically comprehensive of both women's and men's perspectives on issues. In implementation, however, most programs (micro-finance, education, health/nutrition, women's governance) seem to be of the more classic "women in development" variety. The Agency mandate, organizational structure, and practices promote the incorporation of gender equality concerns into all aspects of development cooperation, putting USAID very much in line with the DAC Guidelines for Gender Equality. The USAID Gender Plan of Action (see Section 2.2) has played a key role in that process.

## **1.2 The Agency's Conceptualization of the Poor**

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<sup>2</sup> See section 1.6 for further elaboration of budget priorities.

<sup>3</sup> One senior policy economist asked us to warn the OECD/DAC community of the "hazards...in trying to highlight and fence off 'poverty' interventions from other interventions... [because] substantively it is clearly the wrong way to go."

The conceptualization of the poor within USAID is influenced by the actual mission or purpose of the Agency itself, namely to help those in the poor countries of the world. USAID internal memoranda responding to the DAC review team in early 1998 point out that many of the world's poor are concentrated population pockets in *low-income* countries which may not be classified as *least* developed countries. Nevertheless, the poor are the clients whom the Agency and the U.S. people wish to help. This is a fundamental point, because most of USAID's work is directed towards promoting development in poor countries. In fact, according to these same internal memoranda, most of Development Assistance and food aid programs are programmed according to development criteria. Most of the assistance to Eastern Europe and the former Soviet Union is not, nor are Economic Support Funds, which are largely allocated according to foreign security/political criteria; these latter constitute over 50 percent of USAID's total appropriation.

Interviews with USAID staff in various bureaus suggest that the Agency is run in a fairly decentralized fashion, with individual regions relatively free to tailor the strategic objectives framework as they see fit. Thus, in Latin America for example, poverty is the overwhelming *explicit* focus of the staff, per priorities set by the Assistant Administrator. It was explained that since the bulk of structural adjustment reforms have now been undertaken and economic growth per capita has been positive, yet persistent pockets of poverty remain or even intensify, the bureau feels it is important to focus more specifically on the poorest in order to deliver effective targeted interventions. On the other hand, poverty is very much *not* receiving programmatic emphasis in Eastern Europe and the Newly Independent States.

Appealing to national self-interest is one argument which the Bureau for Legislative and Public Affairs uses to justify expenditure on sustainable development in foreign countries. USAID thus frequently depicts the poor (or poor countries in general) as potential customers for U.S. exports. As USAID programs take effect, economic growth is expanded, incomes rise, and previously poor and marginalized people become consumers of U.S. exports. Because of the lack of broad popular support in the U.S. for foreign aid, other "self-interest" arguments used by the Agency to rationalize its appropriations request include justifications of fighting against narcotics, illegal immigration, tropical disease, terrorism, and political instability--all of which can be perceived as national security threats, and thus worthy of foreign assistance attention.

When it focuses on poverty, USAID follows the World Bank in alternatively defining poverty in both absolute and relative terms. In order to compare poverty levels across countries, it uses the classic absolute measurement, the "PPP dollar (or \$2)-a-day" definition. Within countries, USAID also makes use of national poverty lines, following the food basket approach, a relative measurement that considers local consumption baskets and food prices, relative to total expenditures.

The conceptualization of the poor is not limited to national-level definitions of "poor countries," but frequently involves identifying the poor at the subnational level. In this way, task managers and technical staff are obliged to consider geographical/spatial issues, or relative access to income-generating resources, in designing programs to target the pockets of poverty.

The poor are often associated in USAID with agriculture because "the majority of people in the

poorest countries derive their livelihoods from agriculture” (USAID, 1998d, p.8). Therefore poverty and food insecurity are seen as involving largely overlapping incidence groups. Conversations within USAID have suggested that the newly crafted U.S. government strategy for reducing the world’s undernourished by half (and thus addressing the 1996 World Food Summit target) would go far in accomplishing the World Social Summit goal of reducing world poverty (Stryker, Metzler, et al, 1998). The USAID mission in Peru has concluded that “the primary cause of food insecurity is poverty” (USAID, 1998a, pp.140-2). A food security review in 1998, part of the Agency goal area reviews (USAID, 1998e), explains that USAID employs six primary approaches to address food security, the first of which is poverty reduction. “Poverty is almost without exception, the primary correlate to food insecurity; one of the most effective means of improving food security in a lasting way is to promote policies and interventions that increase opportunities for the poor to raise their real incomes and that enhance their capacity to take advantage of such opportunities.” Thus, the fight against poverty is seen by some in the Agency as part and parcel of food security efforts, and vice-versa.

For USAID, an essential aspect of broad-based growth is progress in transforming a partner country’s subsistence agriculture into a sector characterized by greater integration into world markets. This is effected via technical assistance at international, national, and sectoral levels. At the international level, emphasis is put in some countries on advice with regard to international trade liberalization and regional trade integration (analysis and negotiation), an effort which is frequently coordinated with activities undertaken by the U.S. Trade Representative’s office or the U.S. Department of Agriculture.

At the national/sectoral levels, technical assistance may focus on promoting commercial agriculture or on improving the productivity of smallholder agriculture. Of fifteen missions in Sub-Saharan Africa with agriculture focused strategic objectives, twenty-eight of them fall in the goal area of economic growth and agricultural development. The more successful of these focus on increasing incomes through agriculture, by working on second-generation policy change, supporting civil society organizations, and linking businesses into sources of technology, credit, and farmer groups. Expansion of non-traditional export crops is another direction chosen by various USAID missions, although there is internal debate regarding whether such focus on commercialized or “commercializable” agriculture is helping the poorest. In Central America and the Caribbean, attention to agriculture often means choosing to focus on smallholder hillside-based agriculture, rather than on irrigated (i.e. more commercial) agriculture, because it is more poverty oriented. In these instances, there is also explicit acknowledgement of the interlinkage with environmental degradation issues. Officials acknowledge, however, that the solution to the resource management concerns may lie outside of agriculture, and rather in providing off-farm employment opportunities for smallholders currently deforesting and overcropping on the hillsides.

Thus while agriculture is held by some offices in the Agency to be the ultimate growth engine, others caution that its role as such is overstated. While it may be true that agrarian societies get part of their “economic growth jumpstart” from sharp advances in agricultural productivity, which lowers food prices and hence keeps wages low, and facilitates the shift out of agriculture into manufacturing and services, thus justifying a search for agricultural productivity-enhancing interventions for countries at that stage of development. However, for countries with more

diversified economies and in which a far smaller portion of the population is employed in the agricultural sector, such an emphasis on primary production may be overstated. This is currently the subject of wide debate within the Agency.

Poverty is often associated with gender, as well. As one official said, “In USAID, if you’re looking at gender, then you have a poverty approach.” By this, it is meant that a focus on gender, and thus on intra-household relations, by definition disaggregates focus by impact group and highlights effects on those who often bear the brunt of poverty.

Thus, poverty is sometimes conceived of as the cause of other ills, as with food security. In other cases, the Agency views poverty as being caused by other phenomena, such as exclusion or geographic isolation.

### 1.3 USAID’s Underlying Models and Approaches to Poverty Reduction

In its “systemic approach,” USAID actively draws on all four broad groups of models for development and poverty reduction.<sup>4</sup> For its one explicit poverty reduction goal (broad-based economic growth and agricultural development), USAID generally follows an economic model, aiming to improve the incomes of the poor through a variety of means. For its five implicit poverty reduction goals, the social model is the most prevalent (strategic goals covering human capacity and population/health), followed by the safety net model (humanitarian relief). The political model clearly motivates the strategic goal of strengthening democracy and good governance. The theory behind the goal to protect the world’s environment for long-term sustainability touches on the economic, social, and even political models for development. Thus, in any given USAID mission, some combination of all models and approaches is employed.

#### 1.3.1 The Economic Model

In USAID, broad-based equitable economic growth is viewed as “the most effective means of bringing poor, disadvantaged and marginalized groups into the mainstream of an expanding economy” (USAID, 1998d, p.7). Economic growth helps reduce poverty by “providing opportunities for the poor to use their labor to generate higher personal returns and providing the basis for larger tax revenues from which to finance public sector expenditures on the social sector that enable the poor to take advantage of economic opportunities” (Hopkins and Lambert, p.2).

Within this rubric is an underlying split between the traditional non-targeted methods of

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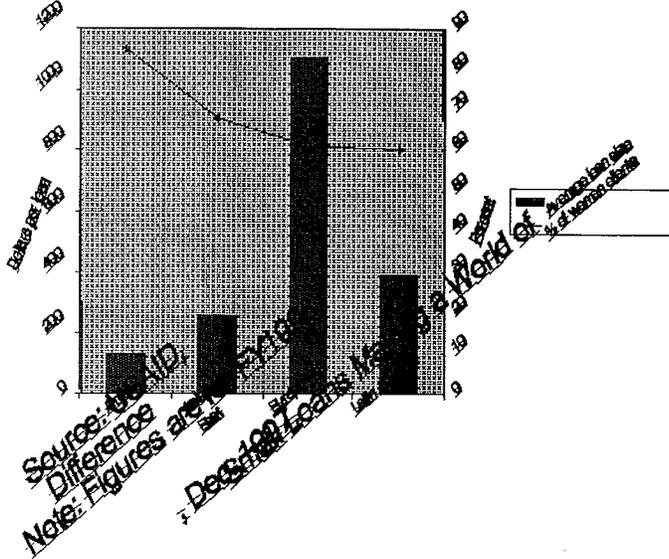
<sup>4</sup> According to the Scoping Study Handbook, various models of development and poverty reduction are current within donor agencies. These tend to fall into four broad groups: economic, social, political, safety nets: *economic models* e.g. economic growth (trickledown to poor); pro-poor growth; policies to improve the productivity of the poor and their access to economic assets such as credit, land, skills; *social models* focused on basic needs, basic social services, human development, etc; *political models* centered on empowerment, participation, rights-based approaches, social inclusion etc. at a national or community level; and *safety net models* respond to vulnerability, food security, social funds etc.

promoting economic growth and more pro-poor means. Non-targeted economic growth programs subscribe to the “trickledown” concept whereby poor people benefit because “a rising tide raises all boats.” USAID cites statistical analysis indicating that “1 percent growth can be expected to reduce the proportion of the population below the poverty line,” with one estimate that “a 10 percent increase in per capita income will reduce the incidence of poverty by 29 percent” (USAID, 1998d, Annex 2, pp.2-3). Economic growth programs targeting the poor seek to expand economic opportunity at the level of the individual poor worker. Growth programs which target the poor are becoming more common within USAID, with microenterprise standing out as a “best practice.”

The Microenterprise Initiative, launched in 1994, now has an increasingly central place in USAID’s strategy of promoting broad-based economic growth (see section 1.6 for a discussion of budget allocations). The program enlists non-governmental organizations to provide financial services (most often working capital loans) to poor clients who lack access to financial markets. In addition to credit, USAID’s program also supports such activities as business and technical training for microentrepreneurs and regulatory and policy reform directly affecting microenterprises. The ultimate aim is to improve income-earning prospects for the microentrepreneurs.

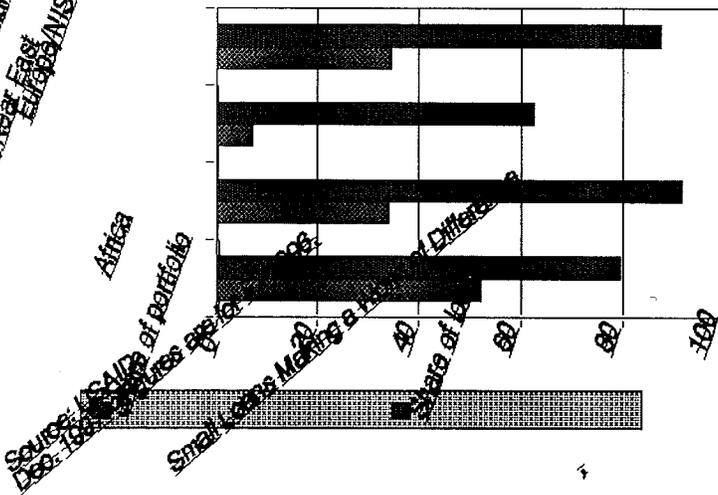
USAID considers its microenterprise programs to have significant outreach (about 1 million households), with women representing two-thirds of the clients (Figure 1). About 89 percent of the loans are “poverty loans,” meaning less than \$300 in most regions (Figure 2). Small loan size thus becomes the key mechanism for identifying the poor, the argument being that “the smaller the loan, the poorer the set of people willing to go through the loan application process” (USAID, 1997d, p. 14). A country operation supported by USAID may choose to serve only poor clients or may serve a mixed clientele of some poor and some higher stratum micro-businesses. By Congressional mandate, this program specifically targets micro-entrepreneurs who are poor and female. Further, USAID requires that key program outreach data be reported on a gender-disaggregated basis.

Figure  
Microloans G.



Source: USAID  
Difference  
Note: Figures are in U.S. dollars

Figure 2  
Poverty Loans U.



Source: USAID  
Difference  
Note: Figures are in U.S. dollars

The further the consultants dug into the organization, the more we learned about criticisms of the microenterprise approach. In some quarters, the program is viewed as USAID's main poverty reduction program. However, the effectiveness of microenterprise loans in spurring economic growth was called into question. It was said that there is little track record of

businesses that receive microenterprise loans growing into the next category of medium-sized businesses. More than one staff person characterized microenterprise as no better than a welfare program, which of course is anathema to USAID. Another critique was that microenterprise activities are largely concentrated in urban areas, rather than rural areas where there is a higher incidence of poverty. Without additional focused analysis, we have no real means to evaluate these criticisms, but any popular new program that attracts increasing budget resources will inevitably lead to some grumbling by others with different priorities.

Part of USAID's "economic" approach is enacted outside of the Sustainable Development Assistance account (where most of the microenterprise funding comes from), using the Economic Support Fund and regional funds for the New Independent States, Eastern Europe and the Baltic States. The Economic Support Fund (ESF) "advances the economic and political foreign policy interests of the United States" (USAID, 1998b, Summary, p.6). The ESF is used in essence for structural adjustment activities, such as cash for budget support, foreign exchange, or debt servicing. In return, USAID requires the recipient country to effect policy reform that promotes sustainable development. ESF has been one of the primary mechanisms used to support the Middle East peace process, with Egypt and Israel receiving the bulk of total ESF funding (\$2.0 billion combined out of \$2.5 billion to all recipients in the FY1999 appropriations request). For Egypt and Israel, the degree of conditionality imposed on ESF funds was not explored by the authors.<sup>5</sup>

In Africa, USAID uses both ESF and the (now defunct) Development Fund for Africa to promote adjustment and sector reform. The use of the ESF is on the rise in Africa, with funding of about \$15 million in FY1998. In Africa this type of non-project assistance is seen as the most effective way to support African-led reform efforts, by providing the up-front assistance for sector reform (USAID, 1998b, Special Interests, p. 8). One notable aspect of USAID's approach is that the non-project assistance is always accompanied by project assistance, which contributes to improved policy and program coherence.

### **1.3.2 The Social Model**

Those aspects of the USAID program that fall under the social model work off the operative theory that "investments in health and basic education contribute to increases in productivity, improved health, and a more stable population growth" (USAID, 1998b, Summary, p. 3). In this way, USAID addresses the basic needs, including social services, required for sustainable human development. It is inarguable that improving the human condition contributes to poverty reduction, even if poverty reduction is not an explicit goal.

The Child Survival and Disease Programs, working under specific earmarks from Congress, receive half a billion dollars per year (out of a total annual budget of \$7 billion), about one-fifth of which is for basic education. This is a significant investment in the health and education of

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<sup>5</sup> In the 1999 federal budget, the ESF is listed under International Security Assistance. There is a line providing for the "understanding that Egypt will undertake significant economic reforms which are additional to those which were undertaken in previous fiscal years" (Foreign Operations, Export Financing, and Political Programs Appropriations Act, 1998, S.2334.ES, p.927).

the poor in other countries, reflecting USAID's thinking that building human capacity is necessary to achieve poverty reduction. In discussing its Child Survival program, poverty is cited first among the social and economic conditions that are key underlying contributors to child mortality, once again an example of the Agency viewing poverty as the underlying cause of a problem.

USAID's social programs often have a strong gender focus. USAID sponsors more than thirty programs to address high maternal mortality rates (OECD, 1998c, p.44). As with many other donors, USAID targets girls' education as a priority, since there is widespread consensus that a focus on compensating for girls' limited access to schooling comes with a high payoff. Support for these social programs is particularly strongly felt from the Office of the First Lady in the White House.

### **1.3.3 The Political Model**

USAID runs democracy and governance programs in nearly ninety countries worldwide, showing the importance also given to the political model for development and poverty reduction. In fact, one of the strategic objectives directly embraces the political model (section 1.1). The programs seek to strengthen the rule of law and respect for human rights, improve the political processes, develop civil society, and make government more transparent and accountable (OECD, 1998c, p.12). Overall, USAID believes these approaches "maintain conditions necessary for a more stable, peaceful and prosperous world."

While there is no mention of poverty in the explanation of why USAID engages in these programs, there is discussion of ensuring citizen participation in the policy-making process and ensuring that government policy reflects popular will (USAID, 1998d, p.9). This type of empowerment strategy is consistent with USAID's approach to poverty reduction, which emphasizes helping poor people to help themselves. A greater political voice for the poor should lead to greater and more equitable access to economic opportunity, which is central to USAID's beliefs regarding poverty reduction.

USAID's Democracy & Governance programs place a surprising emphasis on decentralization within the client country, that is, working at the community and regional levels instead of solely the national government. Decentralization is seen as necessary to promote more efficient delivery of collective goods (social services, infrastructure, etc.) through institutional reform. One interviewee in particular discussed how, often, those in the countryside believe that the national government does little to help them, and that local empowerment is a far more effective means of meeting their needs. In the Congo, for instance, local elections have been a higher priority than national elections, since local governance more closely influences the average person's well-being.

In Eastern Europe, the Baltic States, and the New Independent States, support for the political model involves helping build democratic institutions. In regions with a higher overall incidence of poverty, such as Africa, the democracy/good governance activities have a stronger orientation on developing civil society and participation by the poor.

Gender appears to be fully mainstreamed in these democracy and governance activities. The first USAID objective for democracy and governance is “rule of law and respect for human rights of women as well as men strengthened” (USAID, 1998d, p. 10). This gender focus on rights is then operationalized in such programs as addressing female circumcision in Egypt, Eritrea, Guinea, Kenya, Senegal, and Mali (OECD, 1998c, p. 44). Helping to prevent violence against women is an important component of democracy and governance activities in some Latin America programs.

The democracy and governance theme is also linked to changes in the way USAID itself operates and delivers its resources to developing country clients. Since the advent of the Clinton administration, the role of private voluntary organizations and other non-profits has been strengthened. The New Partnership Initiative (NPI) supports such an increased role, with the commitment made in Copenhagen to raise the percentage of resources channeled via PVOs/NGOs from over thirty to forty percent.

Another outreach by USAID which can be loosely construed as falling under the political model of interventions is its Lessons Without Borders program. This links up U.S. domestic constituencies with those in developing countries, to apply lessons learned in one forum to another. One example of such cross-fertilization is the application of vaccination program implementation in Kenya to the inner city in Baltimore, Maryland. Another example is the active pursuit of domestic constituencies in the U.S. for increased attention to agriculture and food security questions, an emphasis which had been lost in recent years. USAID actively courted U.S. land grant universities and other academic think tanks, the PVO/food aid community, and agribusiness representatives to build a case for additional resources to address the World Food Summit target. Achieving a degree of domestic political maturity in the U.S. is perhaps a reflection of the Agency’s appreciation of the role of the political model in its overseas work.

#### **1.3.4 The Safety Net Model**

The primary elements of USAID that fall under the safety net model are the International Disaster Assistance and Food for Peace programs, coordinated in the Bureau of Humanitarian Response. Disasters or dislocation lead to vulnerability and food insecurity, important elements of transient poverty. USAID disaster assistance programs aim to reestablish suitable conditions for sustainable development. The Food for Peace programs provide significant help to the chronically undernourished of the world.

The International Disaster Assistance program recognizes that those in poverty are at greater risk from natural disasters or civil strife. Rapid population growth, particularly in urban areas, can lead to habitation on marginally viable or unsafe lands, often in unsafe housing. This phenomenon certainly raised the human toll from Hurricane Mitch, which struck Honduras and Nicaragua. USAID targets vulnerable groups in emergency situations, providing their critical needs such as medical assistance, shelter, food, and potable water. Disaster prevention, preparedness, and mitigation is another element of the strategy for the sixty-six countries designated as disaster-prone. By preparing local officials to better respond to emergencies, USAID can reduce the depth and duration of transient poverty.

Man-made disasters are now more important for USAID than natural disasters. The consultants were told that as recently as 1993, 90 percent of USAID's disaster assistance were directed toward natural disasters and only 10 percent toward man-made crises. In 1998, those figures were reversed (at least before Hurricane Mitch devastated parts of Central America). This explains the heightened interest in conflict prevention. As one official put it, "conflict has a direct interaction with poverty and food insecurity." Meaningful long-term development is impossible when there is conflict. Moreover, USAID officials talk about "lost opportunities" or "lost investments", citing several cases where civil war wipes out decades of development work. USAID is in the experimental stage of developing an early warning system for conflict, after successfully developing a famine early warning system in the 1980s. The hope is to convince the relevant groups in a vulnerable country to engage in confidence-building activities before the outbreak of violence. Several high-level staff noted the strong correlation between poverty and crisis, with one calling poverty "a very destabilizing factor globally that can be dealt with institutionally and by creating opportunity."

The Food for Peace programs are designed to meet the critical food needs of targeted groups, once again evoking USAID's conception of a very close relationship between food security and poverty. P.L. 480 Title II is a full grant program with major involvement by U.S. private voluntary organizations in delivering food for emergency relief and development programs. Even under emergency conditions, USAID often successfully incorporates a gender focus. In Rwanda and Burundi, USAID (in cooperation with the European Commission) identified feeding pregnant and lactating mothers as crucial to avoiding increased malnutrition (USAID, 1998b, Food for Peace, p.2). The Title III program, which is administered on a government-to-government basis, targets allocations to countries most in need of food, with receipt conditional on policy reform that will promote food security. In Haiti, USAID claims that Title III is having an important effect on the reduction of poverty and food insecurity (USAID, 1998b, Food for Peace, p.4). The conditionalities imposed by the program aim to reduce the price of food to food insecure people, increase jobs, and decrease the high population growth rate.

### **1.3.5 Approaches**

In its "systemic" response to poverty reduction, USAID makes use of a combination of the money-metric, participatory, and social analysis approaches. The money-metric approach (\$1-2 PPP/day income equivalent) is widely used at USAID. The growing emphasis on food security falls within the definition of the participatory approach because it relies on a multi-dimensional view of well-being. The activities related to strengthening democracy and good governance come under the social analysis approach.

The approach taken by the microenterprise program is difficult to classify in any one of the three approaches given. The program views loan size as a proxy for poverty, which seems like a money-metric element, but the small loan size is an indicator of exclusion, which would be more of a social analysis approach. One official in the program spoke of valuing assets and vulnerability rather than just income/consumption per se.

There does not seem to be one dominant approach within the Agency. Rather, USAID staff appear highly conversant with all three approaches and the appropriate time and place for each.

Table 1 shows how flexible the approach is, with poverty, income, and access to services, plus other considerations, often measured very differently across countries. This flexibility comes across as a strength of the USAID approach, since the Agency can adapt to country-specific conditions and data availability.

**Table 1: Variation in Indicators Related to Poverty-Reduction Approaches**

<i>Objective</i>	<i>Country</i>	<i>How progress is measured</i>
<i>Poverty</i>	Nicaragua	Percentage of people living in absolute poverty
	Honduras	Percentage of population below the poverty line
	Peru	Percentage of extremely poor in population
<i>Income</i>	Guyana	Increase in average per household income of the poorest 40 percent
	Peru	Value of expenditure per capita of the poor
<i>Access to</i>	El Salvador	Rural population with access to potable water; rural population
	Peru	Percentage of households with two or more unsatisfied basic needs
<i>Other</i>	Bolivia	Average annual net income of poor peri-urban households and
	Guatemala	Percentage of children under 5 chronically malnourished
	Honduras	Employment in the agricultural, industrial and services sector
	Nicaragua	Growth rate in agricultural GDP, rural underemployment
	Peru	Percentage of children under 5 chronically malnourished

Source: Internal document from LAC Bureau.

It should be noted here that in some countries, USAID allows the World Bank to take the full lead on household data collection and analysis efforts that allow donor and government policy makers to define country-specific poverty lines. In other countries, USAID may co-finance such undertakings. In yet other countries (Honduras is mentioned by staff as an outstanding example here), the USAID mission has had a long history of collecting income/expenditure, food consumption, health and other social indicators data for at least fifteen years, giving it one of the sharpest pictures of the poverty situation possible.

Another way to look at the approach utilized is the process of budget allocation across countries. In recent years, USAID has had to decide which countries should have “full” programs. The four criteria for those decisions are partnership (is the country a good partner?), need, the importance of the country from the standpoint of global issues, and the foreign policy importance of the country to the U.S.

#### **1.4 USAID’s Main Aims Relating to Poverty Reduction**

As described in section 1.1, the Agency has poverty reduction as an explicit element in its first strategic objective. Delving more deeply in that category, the Agency’s main aims are articulated through the “USAID objectives”. For the strategic goal of encouraging broad-based economic growth and agricultural development, the USAID objectives or “aims” are:

Critical private markets expanded and strengthened.

More rapid and enhanced agricultural development and food security encouraged.

Access to economic opportunity for the rural and urban poor expanded and made more equitable.

While all six strategic objectives receive equal weighting in the Agency's overall strategic framework, the budget allocations from Congress have been skewed heavily toward support of child survival and disease programs.<sup>6</sup> Economic growth and agricultural development is viewed as "the budget residual" by most staff these days which, in the words of one Agency economist, "makes it pretty hard to push economic growth as an engine for reducing poverty."

### **1.5 USAID's Perception of its Roles in Poverty Reduction**

USAID sees all of its major functions and operations in terms of "sustainable development," which is defined as "actions that lead to a lasting increase in the capacity of a society to improve the quality of life of its people" (USAID, 1998d, p. 6). The role the Agency wishes to play vis-à-vis the poor in third countries is that of "enabler."

Because of the breadth of its systemic coverage, USAID sees itself as a leader in poverty reduction efforts around the world. In fact, one of the strategic goals is to remain a "premier bilateral development agency" (USAID, 1998d, p.16). But USAID also sees itself as part of the broader community of donor agencies. In fact, USAID's Center for Development Information and Evaluation (CDIE) recommends "benchmarking," or examining the best experiences of others within USAID, other development agencies, or partners, as a positive way to set targets for USAID operations (USAID, 1996a, Number 6, p.4). The Bureau for Policy Planning and Coordination (PPC) is responsible for donor coordination and ensuring coherence in the broader policy environment affecting poverty in developing countries. Very active U.S. NGOs also help ensure that USAID is aware of the changing mix of beliefs and practices in the broader development community. USAID also understands that in this era of declining aid resources, its impact can be maximized through careful collaboration with other donors in multilateral fora such as the DAC.

In its perceived role as a leader among development agencies, USAID also seeks to steer the international agenda on occasion. A new issue that is gaining momentum within USAID and other donors is the movement to focus aid on countries that are making concerted efforts at policy reform. Recent research by the World Bank supports the notion that development aid is most effective and makes the greatest contribution to sustainable economic growth (and thus poverty reduction) among recipient countries engaged in committed reform programs (Burnside & Dollar, 1998). USAID officials expressed a desire for some form of policy evaluation tool or model to guide resources to suitable high-impact countries, according to a country's record on implementing policies that are favorable for sustainable development and poverty reduction.

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<sup>6</sup> The FY99 appropriation request for discretionary development assistance of \$1.265 billion compares with a child survival and disease program request of \$0.5 billion.

This should be a multidonor development effort, undertaken in collaboration with South research partners.

## **1.6 Agency Spending and Poverty Reduction**

It is possible to gauge the priority given by USAID to poverty reduction through analysis of its budget. There are 13 major lines in the FY99 USAID budget of about \$6.9 billion, showing the regional and thematic preferences of the Congress and Administration (Table 2). Note that the Economic Support Fund and P.L.480 grants are formally requested by the State Department and U.S. Department of Agriculture, respectively.<sup>7</sup>

### **1.6.1 The Four Development Models and USAID Spending**

Breaking down the budget according to the four models of development and poverty reduction discussed in Section 1.3 reveals the overall balance among the different development models, and how a large chunk of money falls outside those categories, serving geopolitical interests. Please note that this analysis requires some broad characterizations; in particular, the ESF line was difficult to attribute. The consultants' judgement was to consider aid to Israel and Ireland under the ESF line as "inapplicable" and then allocate one-half of the remaining ESF line to the economic model with one-half allocated to the political model.<sup>8</sup> These calculations are not intended to be definitive estimates, merely a point of departure. The program summaries in the FY99 Congressional Presentation are the source for these calculations (USAID, 1998b).

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<sup>7</sup> Most of USAID's budget appears in the 151 account appropriated by the U.S. Congress, including the P.L.480 grants. The Economic Support Fund comes from the 152 account.

<sup>8</sup> By agreement in the DAC, aid to Israel is no longer considered ODA. Ireland of course is an OECD country. The 50/50 split for the remainder is fairly arbitrary, but recognizes this is classic structural adjustment budget support. Few in USAID really consider ESF as "development" funding.

**Table 2: USAID's Budget and the DAC Development Models**

	<i>FY1999 Actual</i> (million dollars)	Corresponding model for
Sustainable Development Assistance	1,193	(37% economic, 30% social, 23% political,
Child Survival and Disease Programs	545	Social
International Disaster Assistance	200	Safety net
Credit Programs	8	Difficult to attribute
Development Credit Authority	0	Difficult to attribute
USAID Operating Expenses	480	Not applicable
Inspector General Operating Expenses	32	Not applicable
Foreign Service Disability & Retirement	Not available	Not applicable
Economic Support Fund & International Assistance to the New Independent	2,387	(51% inapplicable, 24.5% economic, 24.5%
Assistance for Eastern Europe and the P.L. 480 Food for Peace Title II	801	(37% economic, 8% social, 8% political,
P.L. 480 Food for Peace Title III	430	(19% economic, 51% social, 19% political,
	837	Safety net
	30	Safety net
<b>USAID Total</b>	<b>6,942</b>	<b>(21% economic, 17% social, 12% political,</b>

Sources: USAID FY1999 Discretionary Budget Authority (faxed by PPC on Nov. 20, 1998). Note that some

The *economic* model accounts for an estimated 21 percent of Agency spending (this figure consists of one-quarter of ESF and the economic portions of the funding for Sustainable Development Assistance, the New Independent States, and Eastern Europe and the Baltic States). About 17 percent of spending can be identified with the *social* model (Child Survival/Disease Programs; the sections of Sustainable Development Assistance spent on education/training and population/health; and the social stabilization sections of the programs for the New Independent States and Eastern Europe and the Baltic States). The *safety net* model accounts for about 15 percent of the budget, grouping the funding for International Disaster Assistance and the P.L. 480 Food for Peace accounts.<sup>9</sup> The *political* model registers at about 12 percent of USAID spending, including one-quarter of ESF and the democracy/good governance sections of Sustainable Development Assistance and the democratic transition sections of the programs for the New Independent States and Eastern Europe and the Baltic States. The remaining 35 percent comprises operating expenses, crosscutting programs, items difficult to attribute, and aid to Israel and Ireland.

There are inherent difficulties in attributing one major spending line encompassing dozens of programs to a single development model, but the objective effort made here to do so attempts to show the balanced nature of USAID spending.

### 1.6.2 The Sustainable Development Assistance Account

USAID considers the Sustainable Development Assistance account (along with the Child Survival and Disease Program Fund) to be the core of USAID's sustainable development programs. The

<sup>9</sup> This is an exaggeration as well, since some of the food aid is programmed for developmental, not safety net, purposes.

choice of programs funded under the Sustainable Development Assistance (DA) account helps shed some light on the Clinton administration's priorities and orientation toward poverty reduction. Economic growth and agriculture easily ranks first out of the five strategic goals supported through the DA account, comprising about 37 percent of the funding request (Table 3). Once again, the strategic goal with the most explicit link to poverty reduction is receiving the most funding. The Congress' priorities are revealed by the difference between the actual and requested budgets for FY99. Sustainable Development received 6 percent less than requested and Child Survival and Disease 8 percent more.

**Table 3: The Sustainable Development Assistance Account**

<i>USAID Strategic Objective:</i>	<i>Share of DA account</i>
Economic growth and agricultural development	37%
Stabilizing population growth rates and protecting human health	22%
Protecting the environment for long-term sustainability	23%
Strengthening democracy and good governance	11%
Building human capacity through education and training	8%
<b>Total</b>	

Source: Shares are based on relative numbers in budget request, USAID1998b, summary, pp.2-3. The final

Within the more than \$400 million allocated to economic growth and agriculture in the Sustainable Development Assistance account, about half of the funds are devoted to microenterprise and agriculture (Congressional Presentation, special interests, pp.1-6). As has been explained, microenterprise and agriculture are generally considered to be more pro-poor in their orientation than non-targeted economic growth projects. The fact that about half of the funds in the economic area are sliced off and *dedicated* contributes to the feeling, at all levels of the Agency, that the funding for economic growth overall is getting squeezed.

Even the two new initiatives within the Sustainable Development Assistance account have largely pro-poor orientations. The Africa Trade and Investment Initiative (\$30 million) aims to improve prospects for increased growth and sustainable poverty reduction by enlarging foreign markets, promoting foreign investment, and facilitating the transfer of technology and knowledge. The Americas Summit Initiative (\$20 million) will address weaknesses in basic education, access to financial systems by the poor, and expanded regional trade and investment. The launching of these two programs raises the question of whether it is easier to incorporate poverty reduction aims in a new program, i.e. *ex ante* mainstreaming, or to re-tailor an existing program to more effectively address poverty reduction, *ex post* mainstreaming.

### 1.6.3 Spending Priorities by Region

USAID breaks down spending in each region by each of the six strategic objectives. Economic growth and agriculture holds the largest share of spending in Africa, Latin America (LAC), and Asia/Near East (Table 4). The share is unusually high for Asia/Near East because all of the ESF money for Egypt and Israel is included under that strategic objective. For Africa and LAC, the

actual FY1999 appropriations numbers undoubtedly boost the share of population/health spending, perhaps above that for economic growth and agriculture. USAID reports spending differently for Eastern Europe and the New Independent States (which are seen as temporary programs), with social stabilization important in Eastern Europe and the programs for the New Independent States focused on economic restructuring and cross-cutting or special initiatives (Table 5).<sup>10</sup>

**Table 4: Spending on Strategic Goals by Region**

<i>Strategic Goals</i>	<i>Africa</i>	<i>LAC</i>	<i>Asia/</i>	<i>Africa</i>	<i>LAC</i>	<i>Asia/</i>
		Million \$ <sup>11</sup>			Shares	
Economic Growth and Agriculture	291.2	181.4	1,909.1	31%	29%	73%
Population and Health	239.0	140.0	234.8	26%	23%	9%
Environment	99.8	67.4	243.5	11%	11%	9%
Democracy and Governance	100.5	106.7	86.4	11%	17%	3%
Human Capacity Development	66.5	35.0	16.6	7%	6%	1%
Humanitarian Assistance	127.8	90.8	113.6	14%	15%	4%
Total spending	924.8	621.4	2,604.0			

Source: Categories are self-reported by USAID in budget request, USAID FY1999

**Table 5: Spending Categories for Eastern Europe and the New Independent States**

	<i>EE</i>	<i>NIS</i>	<i>EE</i>	<i>NIS</i>
	---in dollars---		---shares---	
Economic restructuring	89,193	343,762	17%	37%
Democratic transition	89,140	74,525	17%	8%
Social stabilization	240,562	71,785	47%	8%
Cross-cutting & special initiatives	94,205	434,928	18%	47%
Total spending	513,100	925,000		

Source: Budget request in USAID FY1999 Congressional Presentation, program summaries. Final numbers not

#### 1.6.4 USAID Spending by OECD Category

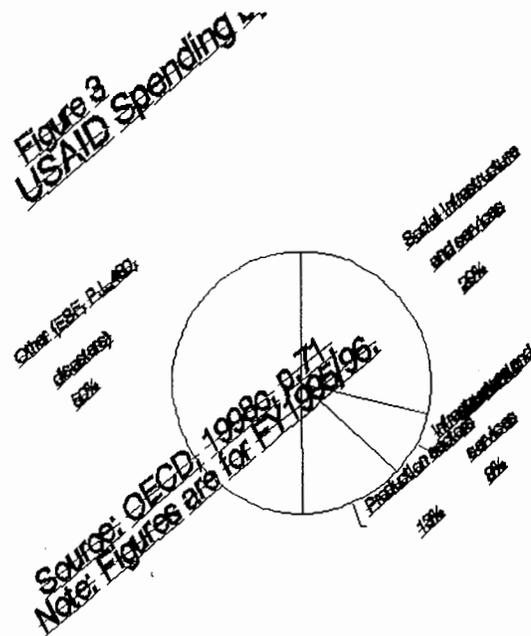
In the DAC's Development Cooperation Review of the United States (OECD, 1998c, p. 71), USAID spending is broken down by category. Organized according to different categories than those employed by the Agency, these data allow for some description of changes in spending during the 1990s. Figure 3 shows the proportion of expenditure by broad sector groupings.

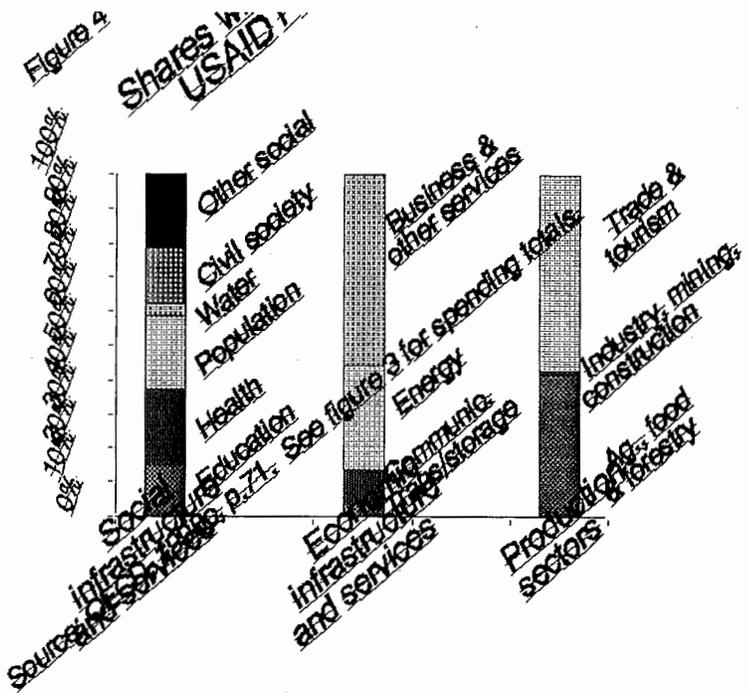
Total sector allocable spending remained relatively stable near \$4 billion from 1990/91 to

<sup>10</sup> Cross-cutting efforts include training programs and support for the Eurasia Foundation, which provides small grants to grass-roots organizations under both the economic restructuring and democracy rubrics (USAID, 1998b, ENI, p.9).

<sup>11</sup> Based on appropriations request for FY99. Actual budget numbers not available.

1995/96. Spending on social infrastructure and services declined more than ten percent in value, with notable decreases in funding for water supply and sanitation and government and civil society. Economic infrastructure and services increased 8 percent, with a re-ordering away from transport and storage towards business-type services. Spending on production sector activities also grew 8 percent, with trade and tourism increasingly important. Figure 4 shows the sharing-out within each OECD broad sector in FY1995/96.





## II. Management for 'Mainstreaming' Poverty Reduction within USAID

### 2.1 'Mainstreaming' Poverty Reduction Activities: modalities and mechanisms for implementation

In interviews with Agency staff, there appears to be a ready awareness of poverty reduction and gender issues. It was suggested that poverty reduction may be so thoroughly mainstreamed at USAID that it does not need to appear often in the Agency rhetoric. It is also clear that a fair amount of decentralization exists between global bureaus and the regional ones. In the case of Africa, this translates to a fairly ad hoc practice for missions to focus on poverty as a central theme, or not, as they see fit. When USAID/Mozambique recently decided to conduct a food security assessment, even though it was not scheduled to engage in food security work, the mission arrived at the conclusion that poverty reduction (via income generation activities) should be one of its two responses. In the case of LAC, on the other hand, the Assistant Administrator is a strong advocate of poverty reduction. The message was mainstreamed by the AA saying, "You will do poverty reduction." As a consequence, the LAC missions have adapted their economic growth strategies away from the more trickledown "strengthened markets" approach towards the pro-poor objective of "expanded access and opportunity for the poor" (Table 6). Thus it seems clear that individual bureau and even mission officials have considerable latitude in defining their programs, within the broad menu of options which the Agency's strategic framework gives them.

Another key part of the communication process between the field and Washington is the “management letter.” This was described as a contract signed by the mission director and Washington laying out the bottom-line expectations for a mission’s program. Putting a poverty reduction *fiat* into the management letter, as is commonly done in Latin America, essentially guarantees it will be a mission priority.

**Table 6: The Changing Emphasis Towards Poverty Reduction in Latin America**

	1996	1999
USAID operating units with "Strengthened Markets" as an objective	12 (Bolivia, Caribbean regional office, Ecuador, El Salvador, Guatemala, Haiti, Jamaica, LAC regional office, Mexico, Nicaragua, Panama, Peru)	3 (Caribbean regional office, LAC regional office, Panama)
USAID operating units with "Expanded Access and Opportunity for the Poor" as an objective	3 (Dominican Republic, Guyana, Honduras)	11 (Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua)

Source: Internal LAC Bureau documents.

One of the Agency’s methods of monitoring and evaluation is the goal area review, which summarizes and explores the Agency-wide approach. The 1998 goal area review for food security points to USAID’s programs in Peru and Haiti as taking a “holistic” approach that comes across as an endorsement as a best practice. In particular, the assessment praises these missions for highlighting the causes of food insecurity (rather than simply providing food aid). Incorporation of conceptual thinking of this kind in USAID’s activities on poverty reduction is clearly to be encouraged.

As for gender, several interviewees focused on USAID’s efforts to shift the emphasis of gender discussions from women as a target group to gender equality as a development objective, which was one of the new emphases in the DAC’s Guidelines for Gender Equality (OECD, 1998a).

USAID employees seem to be adequately trained and sensitized to gender equality issues, including the debate about whether gender is “just women” or refers to “women and men.” It was difficult to determine, however, what procedures there are at the project or activity level to screen or check that officials are taking gender equality into account.

In regard to the linkages between poverty reduction and gender equality, USAID appears to have effective management systems and practices. The Office of Women in Development is located within the Global Bureau in order to provide technical expertise to the Regional Bureaus. The head of WID observed that she probably has a larger staff than most of her counterparts in other donor agencies (though exact numbers were not given). For instance, the WID office has sectoral specialists, with the leader of the economic growth team taking the lead on poverty reduction issues. Some of the regional bureaus have hired gender specialists, not as an

administrative requirement, but due to the managers' perceptions that the payoff in terms of better focused social design is high. Direct hire staff numbers are supplemented by technical staff on contract.

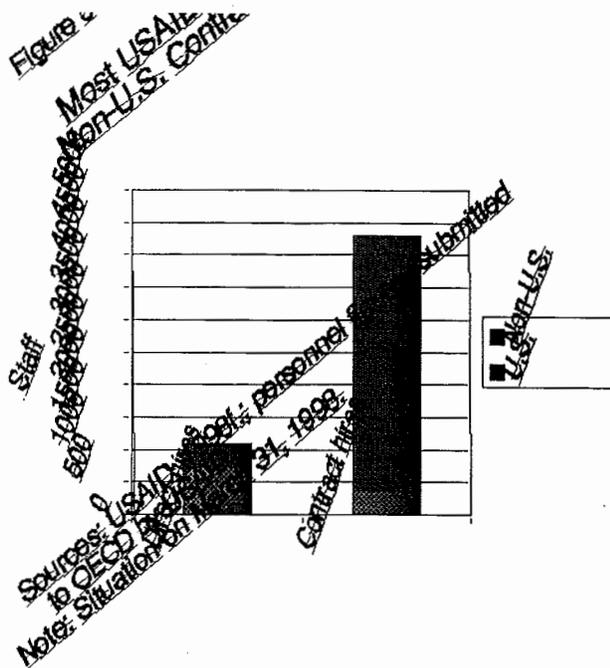
The WID office provides intellectual leadership to spark strategic debate within the Agency as a whole. By highlighting that "gender-based constraints, often viewed as no more than welfare issues in the past, must be recognized as strategic concerns affecting the prospects for efficiency, growth, and development in the economy as a whole" (Hopkins and Lambert, 1998), WID staff have provoked Agency-wide discussion of the alternative emphases of "broad-based" vs. "pro-poor" growth. WID staff argue that a gender orientation to the latter will give the Agency the biggest bang for the buck, i.e. will induce the greatest poverty reduction *and* economic growth effects. The outcome of that debate, still ongoing, will go a long way in determining USAID's success in incorporating gender considerations into strategy planning and operations.

## **2.2 Availability and Deployment of Appropriate Skills**

USAID has about 7,500 total staff, on which a range of backgrounds and disciplines represented, including generalists, economists, social science analysts, anthropologists, financial, and other sectoral specialists. About three-quarters of these are stationed in resident missions overseas, of which by far most are non-U.S. nationals. This factor should significantly enhance local ownership of USAID programs (Figure 5). It is difficult to ascertain whether the prevailing skill mix is considered to be an appropriate range and balance of expertise relevant to effective poverty reduction. Many staff point to the near-extinction of economist and agricultural sector specialist slots in Washington and country missions over the last six years.<sup>12</sup> As one official commented, "such a decline surely makes it difficult to do economic growth and poverty reduction."

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<sup>12</sup> It was pointed out, though, that economists working in non-economist slots are still common in the Agency.



To counter such severe cutbacks in the agricultural area, USAID has courted allies in the USAID Board for International Food and Agricultural Development (BIFAD),<sup>13</sup> National Center for Food and Agricultural Policy (NCFAP), the Advisory Committee on Voluntary Foreign Assistance (ACVFA), and coalitions with agribusiness to help lobby for restoration of some of the lost resources. A similar network of constituents for economic analysis or for a poverty orientation by the Agency has, however, been lacking to date.

USAID is one of the U.S. government agencies most affected by downsizing, shrinking from nearly 3,200 career employees on September 30, 1992 to just over 2,200 on March 31, 1998 (USAID, 1998f). Starting from nearly equal staffing levels, the number of foreign service career employees decreased slightly more than civil service employees, in part explainable by the closing of 29 country missions. About two-thirds of USAID's total workforce are hired via personal service contracts and a variety of other arrangements. In principle, this reliance on temporary hires should permit the Agency to bring in appropriate staff to meet its changing skill requirements, including those related to poverty reduction.

On the other hand, two of the sectors with the strongest direct links to poverty reduction experienced disproportionate staffing declines in recent years. Between September 30, 1992 and March 31, 1998, the number of foreign service direct hires with agriculture as their

<sup>13</sup> Created under Title XII of the Foreign Assistance Act of 1961 (amended 1975), BIFAD seeks to strengthen land-grant universities and other institutions to apply more effective agricultural sciences to increase world food production. BIFAD is a presidentially appointed board which advises and assists the USAID Administrator in developing and implementing the official U.S. foreign assistance program.

“occupational backstop” fell 65 percent, while those in economics fell 43 percent, compared with a 33 percent drop in total sector management staff (USAID, 1998f). Among civil service direct hires, agriculture and economics staff fell even more — 70 and 48 percent respectively — compared with an 18-percent drop for sector management staff as a whole. Other sectors facing greater than average reductions included education and engineering, while environment was one of the few sectors registering gains.

Accompanying the decrease in the USAID workforce, with the uncertainty and adverse effect on morale, there is a sense within the Agency that staff members are being held to a higher standard of productivity through the “managing for results” approach. Alternatively, staffing resources are being stretched more thinly, which could negatively impact their ability to mainstream poverty reduction in Agency activities for which it is viewed as only an “indirect” goal.

The 1996 USAID Gender Plan of Action very specifically tackles the need to mainstream gender considerations in all Agency staffing decisions. For example, position descriptions for Agency Program Officers were to be revised to include responsibility for addressing gender issues. In recruiting as well, experience and understanding of women or gender issues would be taken into consideration. These steps, and other Agency training, appear to have produced a staff sufficiently sensitized to gender issues.

### **2.3 Monitoring of Poverty Reduction Performance**

How to evaluate and monitor its own programs has been one of USAID’s most vigorous preoccupations in recent years. For all programs, including those associated with poverty reduction, the Agency promotes establishing a logical cause-and-effect relationship between the objectives and the indicators chosen to evaluate results. To use USAID’s “managing for results” terminology, the best method is a direct link from the strategic goal to the performance indicator. Progress is tracked by movements of performance indicators, defined ex-ante by the project, towards a specified performance goal for that indicator.

All government agencies are now required under the Government Performance and Results Act of 1993 to establish strategic plans and update them at least once every three years. Each government agency must submit an annual performance plan and report to the Office of Management and Budget and the Congress. The U.S. Government’s objectives relative to IFIS (Treasury), overall foreign affairs (International Affairs Strategy) are covered elsewhere in this case. USAID has also articulated an overall strategic plan (USAID, 1998d), and each USAID operating unit (whether a mission or a central program) must develop a strategic plan of its own, which forms the basis of its particular level of operations. Once an operating unit’s strategic plan is approved, it is required to prepare a performance monitoring plan, which must include:

- a detailed definition of each performance indicator
- the source, method, frequency and schedule of data collection, and
- the office, team, or individual responsible for ensuring data are available on schedule.

For the bureaus and missions, the Results Review and Resource Request (R4) process is a key

part of its performance monitoring. An R4 details the bureau or mission's progress towards the goals of its strategic plan in the past year and explains the expected benefits from its operations in the coming year. The benefit of this approach has been articulation of a conceptual framework which justifies all spending and increased transparency of program results, critical for justifying spending in an era of diminished resources. In essence, USAID is moving towards a system to gauge the relative effectiveness of each of its own programs, so as to better know where to expend limited time, money, and effort. Thus the R4 is an important component of evaluating a field unit's performance, and perhaps a gauge of the gap between the rhetoric at the center and the practice in the field.

#### BOX TWO

##### The USAID View On Monitoring Poverty Reduction Efforts

During the information-gathering process for the DAC's review of the United States (OECD, 1998c), a question was posed about the systemic, non-targeted approach to poverty reduction:

"Do the U.S. authorities have plans (and means) to back up this approach through systemic approaches to assessing needs, projecting and tracking poverty reduction impacts (including the necessary differentiation among groups and between women and men) and evaluating the efficacy of different approaches?"

The written USAID response:

--As part of our strategic planning, the U.S. has some twenty-six performance goals. These include the DAC poverty reduction goal and other 21<sup>st</sup> Century targets.

--We will track progress towards all of these goals. In most cases the requisite data appear annually and comprehensively, in publications such as World Development Indicators.

--However, **tracking progress** towards the poverty reduction goal poses a major challenge to **all donors**. Data on poverty appear sporadically and infrequently in most developing countries. They are typically based on socio-economic surveys that are too costly and complex to be undertaken frequently.

--The U.S. and the rest of the development community are likely to continue depending on IBRD generated data for tracking progress in poverty reduction.

--Our operating units tracking program performance are not likely to focus on broad poverty outcomes, because the data appear infrequently, and because such outcomes are rarely attributable to one or another specific program.

--Where **analyzing progress** is concerned, our view is that broad poverty trends and outcomes are not the unique result of one or another specific, donor financed program. Rather, they reflect the success or failure of development cooperation efforts more broadly. Certainly, they reflect success or failure in achieving rapid, broadly based growth.

--Our impact evaluations will continue to focus on more specific assistance activities, e.g. microenterprise finance or capital market interventions" (USAID, 1998f, response to question 1f, April 6, 1998).

In its review, the DAC made little use of this response, but did conclude that "poverty reduction is intended to be an important outcome of U.S. assistance efforts in support of sustainable development" (OECD, 1998c, p 21). What is revealing for this Scoping Study is that USAID views performance on poverty reduction as indicative of the success or failure of all of their development cooperation efforts.

One criticism of the monitoring and evaluation process is that it eats up a lot of time both in the field and in Washington. For a typical regional bureau, a couple of mid-level staff must devote four months per year in evaluating the missions' workplans and performance. The high level of dissatisfaction with such reporting burdens has recently led the Agency to suspend the existing

R4 framework, pending review. Thus at the time of this study, USAID was in the process of issuing a new R4 guidance cable that will modify the country managers' reporting requirements.

Very active in this process is USAID's Center for Development Information and Evaluation (CDIE) which conducts evaluations and, based on its own learning, develops materials for the operational units to use in order to improve the evaluation process. CDIE has developed seven criteria for assessing performance indicators. A performance indicator should be direct, objective, adequate, quantitative where possible, disaggregated where appropriate, practical, and reliable (USAID, 1996a, number 6). The reengineering process requires that USAID operating units employ a participatory approach, i.e. close collaboration with development partners at each step of the indicator selection process.<sup>14</sup> For each performance indicator selected, a performance target should be established which identifies the planned, specific level of result to be achieved within an explicit timeframe. According to CDIE, performance targets "help to justify a program by describing in concrete terms what USAID's investment will produce" (USAID, 1996a, Number 8, p.1).

In order to reflect upon the Agency's broader purpose and approach, USAID's Bureau for Policy Planning and Coordination (PPC) conducts goal area reviews for its strategic objectives and other priority topics. These unpublished papers often include frank assessments of the internal debates involved in policy development.

For the one strategic goal with an explicit link to poverty reduction, encouraging broad-based economic growth and agricultural development, the match between performance goals and performance indicators is quite clear (Table 7).

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<sup>14</sup> It is unclear how often participatory selection of performance indicators is actually practiced.

<b>Table 7: Congruence of Performance Goals and Indicators</b>	
<i>Performance Goal</i>	<i>Corresponding Performance Indicator</i>
Average annual growth rates in real per capita	GNP per capita average annual growth rate (in
Average annual growth in agriculture at least as high as	Difference between average annual growth rate
Proportion of the population in poverty reduced by 25 percent	Percent of population below poverty line <sup>15</sup>
Openness and greater reliance on private markets increased	* Trade of goods and services average * Foreign direct investment average annual * Economic Freedom Index <sup>16</sup>
Reliance on concessional foreign aid decreased in advanced	Aid as percent of GNP

The choice of goals and indicators illustrates the hybrid nature of USAID's approach to the "economic" development model. Some classic structural adjustment categories share space with more variables that focus on the poor and their livelihoods. It is notable that even though a reduction in income inequality is not one of the goals or indicators for this strategic objective, successful performance on a combination of indicators (per-capita income, agricultural income, and percentage of population below the poverty line) would achieve this result.

Overall, USAID deserves credit for clearly communicating its goals and how it will measure progress towards them. This transparency is encouraged by the increasingly rigorous evaluation process. The public can easily access this material through the Agency website (see the USAID Strategic Plan, [http://www.info.usaid.gov/pubs/strat\\_plan/](http://www.info.usaid.gov/pubs/strat_plan/)).

## 2.4 Learning Lessons and Feedback

USAID has more or less formalized procedures for learning the lessons of experience related to all its programs, including poverty reduction, and then feeding that knowledge back to operations staff. The Policy and Program Coordination Bureau (PPC) is responsible for studying the Agency's activities and passing on examples of "best practices." CDIE, located within the PPC, also has much of the responsibility in this regard.

As part of the USAID Evaluation Agenda for 1998-99, CDIE is engaged in an ongoing assessment of the state of poverty worldwide. A new CDIE study will focus on financial services for the poor, examining approaches used within USAID programs to foster the provision of these services. Through the new study, which will take the point of view of the poor household, CDIE

<sup>15</sup> Defined in Annex 2 of the USAID Strategic Plan as the percentage of population living on less than \$1 a day at 1985 international prices, adjusted for purchasing power parity (i.e. the World Bank's International Poverty Line).

<sup>16</sup> Freedom House, a U.S. NGO, classifies countries as free, partly free, or not free based upon ratings of political rights and civil liberties.

will identify the more efficient types of activities or interventions that successfully expand financial services.

To disseminate the findings from its evaluations, CDIE regularly conducts workshops, a summer seminar series, and works closely with the PPC Senior Policy Group to assure that evaluation findings translate into policy. CDIE also maintains an automated development experience database with thousands of evaluation reports to help the Agency “to learn and share experiences across operating units and with the broader development community.” The CDIE website ([www.info.aid.gov/pubs/usaaid\\_eval/index.html](http://www.info.aid.gov/pubs/usaaid_eval/index.html)) also features a great deal of illustrative material, such as the *Evaluation and Monitoring Tips* series.

The interaction between the center and the field mission is a key part of the learning process in USAID’s poverty reduction activities. The central programs claim to be “customer-driven” with the in-country missions as their primary clients, supporting them by providing information, training, commodities, and technical support for delivery of services. On its website, the Agency notes that “field technical support provided through central programs is the critical link through which advances in research are reflected in program improvements at the country level.”

But a great deal of local learning within the field mission is critical, too. In the food security/poverty reduction efforts in Peru, the learning process was cited as a key element in developing the menu of chosen responses (see Section 3.4 on modes of intervention). In such cases, it is often a matter of learning local practices and customs. Each mission has its own case history (often carried forward by the foreign national employees), plus the experience of staff (particularly U.S. career foreign service and U.S. contractors) of what has and has not worked in other countries.

### III. Poverty Reduction Operations at the Developing Country Level

#### 3.1 Partnership: approach and modalities

USAID has a highly sophisticated approach to partnership techniques, relying on a flexible structure to forge successful Agency-partner arrangements. The New Partnerships Initiative (NPI), launched in 1995, aims to reinforce a process of devolution of power and responsibility to local actors, in concert with the active engagement of civil society, the business community, and institutions of democratic local governance (USAID, 1997b, v.I, p.10). There are three NPI "building blocks" - local capacity building, strengthening the enabling environment, and fostering strategic partnerships. To promote capacity building, the NPI has identified ten guiding principles for missions working with individual organizations, such as "Capacity building must be a highly individual process, grounded in local reality and specific organizational needs" (USAID, 1997b, v.I, p.146). As for strengthening the enabling environment, "the most desirable approach is to incorporate both 'bottom-up' (local) and 'top-down' (national) elements in an overall strategy" (USAID, 1997b, v.I, p.186). Fostering strategic partnerships is a "time-consuming, long-term process," the Agency notes, providing several examples of promising practices, such as "acknowledge differences, but focus on common ground" (USAID, 1997b, v.I, p.229). A common theme heard from staff is that NPI has not been an overly successful public relations strategy within the U.S.

However, USAID's poverty reduction activities in the field are already benefiting from the NPI approach. In Bangladesh, the mission's Increased Income design strategy is based on its experience in The Democracy Partnership, which seeks to broaden participation by the socially and economically disadvantaged in the democratic institutions and processes of Bangladesh. For USAID/Bangladesh, partnership involves intensive cooperation with the implementing partners in all stages of an activity, from customer appraisal to joint strategy development, to revalidation with the customers (USAID, 1997b, v.II, Bangladesh NPI/LEM Report, p.8).

USAID is committed to the widespread use of NGOs and PVOs to carry out its program of sustainable development activities. At the United Nations Social Summit in Copenhagen in March 1995, Vice President Gore pledged that, within five years, USAID "will be channeling 40 percent of its development assistance through non-governmental organizations, both U.S.-based and indigenous" (Advisory Committee on Foreign Aid, 1997, p.12). The latest estimate is that USAID directs over 30 percent of the Development Assistance account to PVOs (USAID, 1998b, special interests, p.7). One interviewee estimated that about 40 to 60 percent of the PVOs' budgets come from funding by USAID or another donor, with private (or corporate) giving making up the rest. For USAID, reliance on PVOs is an important means of augmenting resources and contributing to policy coherence. These authors heard that PVOs often complain about the requirements of USAID's results-oriented stance, although USAID staff felt that making PVOs match up their objectives with measurable indicators improved the overall efficiency of the PVOs' work. Since the PVOs are often the implementers of USAID programs, USAID staff more often than not find themselves in the role of administrators, with some loss of direct contact with the poor in the field.

### 3.2 Country Coordination for Poverty Reduction

Aid coordination at both the international and in-country levels is covered in the DAC Development Cooperation Review of the United States (OECD, 1998c, pp.11 & 28). One nuance discovered by the authors was that USAID believes that certain issues are best moved either in multilateral donor for a or on the ground through the consultative group process. With shrinking budget resources, USAID feels it can maximize its reach through regional organizations like CILSS in West Africa, GHAI in the Greater Horn of Africa, ASEAN in Southeast Asia, etc. 7

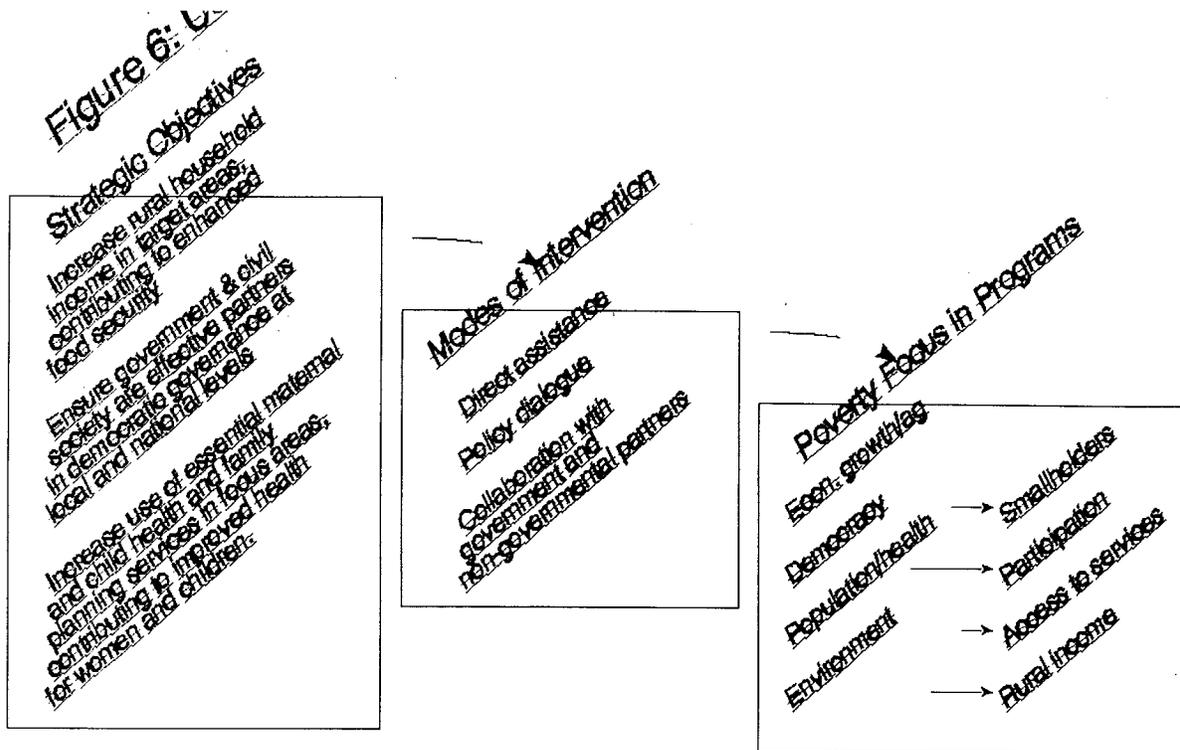
Some of USAID's counterparts in the international community, including some interviewed by the authors for the DAC Scoping Study, seem bewildered that there is not a "point person" or group on poverty within USAID. Representatives from different functional areas within USAID are perceived to take turns attending international meetings, leading to uncertainty over who in fact has competence/leadership. In fact, since responsibility for different aspects of poverty reduction is spread across so many parts of USAID, rotating representation may be a necessity.

### 3.3 Poverty Reduction in the Agency's Portfolio

The mix, or degree of relative emphasis on poverty reduction, depends on the particular country, which shows the importance given by USAID to freedom of action by the mission director.

#### *MOZAMBIQUE*

Mozambique offers an example of how a country mission can mainstream poverty in its portfolio, even if it is not *formally* an overarching theme of the overall Agency. USAID's strategy is in part based on the fact that "a focus on poverty reduction is a common, high profile question in Mozambique," according to an email respondent from the field (USAID, 1998h). The information base included household income surveys by the World Bank and USAID which "exposed the broad expanse of poverty in Mozambique." Poverty considerations were key in the mission's selection of its geographic focus, concentrating on the Center-North, which has the greatest absolute poverty. Due to Congressional earmarking, the mission has "limited scope for choice" in resource allocation across programs. However, using the palette of tools available within the Agency's five strategic objectives, the mission's activities all relate in some way to reducing poverty (Figure 6). The respondent himself felt that "two of the strategic foci of our program (increased rural incomes and maternal-child health) can certainly be expected to have a major positive impact on poverty reduction."



### 3.4 Modes of Intervention: choice and effectiveness

#### PERU

USAID employed innovative methods in its food security strategy for Peru, which became the basis for the government's own development policy strategy. According to one informant, the Peruvian government tried to redress centuries of no investment by making investments based on need, targeting the highest rates of poverty and child mortality. USAID increased the chances of sustainability by refining the government approach to promote high-potential economic zones in Peru, with explicit geographic programming that combined economic potential with poverty incidence. This led to the identification of over thirty economic corridors, including "second cities," as having a high payoff for investments. The mission has also increasingly focused on areas of extreme poverty, such as in the Andes Mountains. The USAID interviewee stated that it was a "plausible case that the AID program reduced poverty."

Because of the budget earmarks, which limit policy flexibility, USAID/Peru has to use a wide range of mechanisms to reach out directly to the poor and strike at poverty as the root of malnutrition. By all appearances, the mission arrived at a complementary mix of human health, agriculture, and income generation solutions (USAID, 1998a, p.140-1). Programs to address malnutrition involve prenatal and postnatal care, breast-feeding, weaning, diarrheal and

respiratory disease control, immunization, family planning, food preparation, and food production practices. Feeding programs targeted schools and communities of the urban poor. A food-for-work program was specifically designed to increase agricultural productivity through improved agro-forestry and soil conservation techniques. The effectiveness of the Peru food security/poverty reduction efforts was measured in terms of *beneficiary impact* rather than *program implementation* (i.e. simply spending the money or distributing the food). These programs are strong examples of a “pro-poor targeting” approach on the part of USAID/Peru.

### 3.5 Design of Specific Interventions

#### HAITI

In Haiti, a focus on poverty reduction became the growth engine to address environmental and food security concerns. Poverty was identified as “the fundamental force behind deforestation” Furthermore, “Haiti’s food insecurity has its roots in poverty,” (Riordan et al, 1997, frontispiece). The poor were identified by income-based poverty indicators from household surveys, according to an informant. Similarly to Peru (where the same technical assistance team was involved), the mission then developed high-potential economic zones in which to focus its investment and program efforts. The informant very candidly declared that the answer to poverty reduction in Haiti is moving rural poor off the land into labor-intensive export manufacturing, supporting the economic concept of how to escape poverty.

Queried about how to address income inequality, in Haiti or elsewhere, the informant cited two specific policies. Investing in the human capital of the poor gives them a greater capacity to get and hold a job. Investment in infrastructure, in areas where the poor are located, directly improves the enabling environment. USAID does not have the means to “do infrastructure,” she believes, and usually defers to the World Bank and the regional banks.

Haiti also offers an example of how poverty reduction and environmental protection can go in hand in hand. The NPI method of local capacity building and partnership was used in a successful intervention designed to help hillside farmers themselves understand how soil conservation would increase their incomes. After trying a variety of approaches, the three NGOs implementing the USAID initiatives to promote tree crops found that the best approach involved working with farmers already organized into producer groups. The keys to a successful NPI approach, according to USAID/Haiti, were: “1) continuous, participatory canvassing of customers’ and partners’ attitudes, views and concerns; 2) directly addressing the issues identified, including modifications to programs and workplans; 3) openness to non-traditional partnerships and innovative ideas, particularly in response to local demands; and 4) willingness to enter into new relationships for development, including collaboration and joint activities across sectors” (USAID, 1997b, v.II, Haiti NPI/LEM Report, pp. 42-55). USAID/PPC helped ensure policy coherence in the Haiti NPI civil society exercise by commenting on possible connections with the Mission’s activities in economic policy, placing emphasis on the civic role of the business community, capacity building, regional development, and community resource management (Nicholson, 1996).

#### IV. Recommendations Specifically Relating to the DAC Poverty Network

Emerging from the interviews were several themes that the DAC could take up:

*Aid effectiveness* is an important topic. Some advocate providing greater reliability of base data to facilitate the identification and monitoring of poverty, others talk about the need to further techniques for analyzing poverty reduction and gender. Staff commented that the fostering of multi-donor consensus by the DAC would provide a certain amount of external, multilateral "cover" (vz. senior government management as well as development policy lawmakers) for a bilateral donor such as USAID.

Coordination on information collection and management among the donors and the World Bank was repeatedly cited as a high priority. Greater cohesion on scheduling, funding, and dissemination of results from household surveys would allow the process of developing and reviewing strategic plans to make use of the best data available.

Impact evaluation is another important preoccupation of USAID staff. There is some concern that although micro-finance is currently the darling of targeted economic growth advocates around the world, little systematic evaluation has been done regarding whether micro-finance operations around the world have developed the tools necessary to reach the very poor. Further, greater insights are needed regarding the extent to which micro-finance programs foster business growth and what the poverty impact of this has been.

The resolution of gender-based constraints is felt to have a high payoff. The DAC could study ways of identifying gender constraints and incorporating them into program design.

As stated in the introduction, there is not yet complete consensus among the donor community regarding the range of growth engines that would give the highest yield in terms of poverty reduction. It was hoped that a model could be developed to identify poverty reduction elasticities by spending categories. For example, for each percentage increase in dollars spent on policies *a*, *b*, or *c*, what is the percentage decrease in poverty? Does the efficiency of a particular policy (say, micro-finance) vary by donor, and if so, is there a need for a better international coordination and division of labor among donors according to comparative advantage?

How important is top-down leadership for poverty reduction? For the World Bank, the IMF, and the LAC Bureau of USAID, strong personal involvement in the topic by "the man at the top" has resulted in the staff adopting a strong poverty focus. This may be a best practice for mainstreaming poverty reduction. USAID may wish to consider instituting a poverty reduction taskforce within the Agency in order to articulate more publicly how much it is really in synch with other donors in its emphasis on poverty reduction. At a global scale, can a target group of world leaders/ policy makers be educated/cajoled in order to stimulate global consensus for a poverty reduction movement?

It is increasingly recognized by senior USAID management that some development investments and the progress accompanying them are subsequently "lost" due to civil strife and bad

policy judgments by recipient countries. There is a need for an international taxonomy of host country policies that are more favorable and less favorable for sustainable development and poverty reduction. Donors could concentrate their efforts in countries that are serious about reform, in order to make best use of scarce development funding.

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## Annex

**Table 1: Targeting Mechanisms (based on how the poor are identified)**

In targeting its interventions to reduce poverty, how important are the following in identifying the poor?	Importance		
	High	Medium	Low
Average per capital national GDP	X		
Poverty lines (income/consumption-based)	X		
Rural versus urban		X	
Geographical location: regional indicators (e.g. poorest regions); sub-regional (e.g. poorest districts).	X		
Gender criteria: e.g. female-headed households; women.	X		
Socio-economic groups (e.g. landless; smallholders, etc)		X	
Ethnic groups		X	
Internally Displaced Persons (conflict or natural disaster)	X		
Others			

**Table 2: Development Models**

What are the dominant development models at various levels of the agency?	Official View/Senior Management	Technical/Specialist/Advisory Departs	Country Depts	Other (U.S. Congress)
Economic Growth maximisation with trickle-down to poor	X		X	
Pro-poor Growth Policies e.g. to increase employment, productivity and decrease isolation of the poor		X		
Social models focused on basic human needs and human development	X			X
Gender criteria: e.g. female-headed households; women.		X		
Political models based on empowerment and participation	X		X	
Safety net models to increase food security and reduce vulnerability	X		X	X
Other				

Other				
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**Table 3: Development Approaches**

What are the dominant development approaches?	Official View/Senior Management	Technical/Specialist/Advisory Depts	Country Depts	Other
Money-metric	X	X	X	
Participatory	X	X	X	
Social analysis	X	X	X	
Other				
Other				
Other				

**NB:** The three broad headings may be supplemented with more agency-specific terms, such as those included in the footnotes to Section 1.3.2.

**Table 4: Skill Availability**

Skills related to effective poverty reduction	Availability		
	Strong	Adequate	Inadequate
Social development	X		
Economics		X	
Gender	X		
Governance	X		
Institutional building	X		
Environment	X		
Natural resources		X	
Social Sector (Education, health care, etc.)	x		
Others			

**NB:** If possible, please complete a separate table for headquarters skills versus country level skills (this relies on the donor agency being able to provide a breakdown in this fashion). If such a split is not available, it may be possible to indicate the range of skills available in the one or two countries nominated for more in-depth attention.