

# OECD/DAC Peer Review of the United States

## Memorandum of the United States

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## EXECUTIVE SUMMARY

This memorandum, addressed to the Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC), highlights ongoing United States efforts and accomplishments in international development. It also describes recent, significant policy and structural changes to improve U.S. aid coherence and effectiveness. While many of the consequences of these efforts are already taking place, others will take time to bear fruit. The record is unmistakable. The United States has made dramatic progress since the last OECD/DAC review in 2002. The United States has:

- Elevated the importance of international development in our National Security Strategy as essential, along with diplomacy and defense, for the realization of a stable, more prosperous world;
- Established new, highly innovative programs like the Millennium Challenge Account to promote transformational development and the State Department's Office of the Coordinator for Reconstruction and Stabilization to lead and coordinate interagency efforts to prevent and speed recovery from conflict;
- Championed full partnership with – and ownership by – developing countries within the context of the Paris Declaration on Aid Effectiveness to achieve results;
- Launched major initiatives to fight HIV/AIDS and malaria, expand access to education, reduce maternal and infant mortality, strengthen justice for women, and combat chronic hunger and the root causes of famine;
- Nearly tripled Official Development Assistance from \$10.0 billion to \$27.6 billion since 2000, and aid to Africa from \$1.5 billion to \$4.2 billion;
- Refined U.S. thinking about foreign assistance to address 21st Century challenges such as weak and failing states, global diseases, transnational crime, and trafficking in persons;
- Promoted closer civilian and military cooperation, exemplified by massive humanitarian relief for tsunami-ravaged nations and earthquake victims in Pakistan and the standing up of U.S. and NATO Provincial Reconstruction Teams in Afghanistan and Iraq;
- Forged new and stronger alliances with the private sector to leverage funds, significantly reduce investor risks, and expand trade opportunities for developing countries;

- Promoted and strengthened political and economic governance, civil society, rule of law, and respect for human rights around the globe and made expanding the *Frontiers of Democracy* central to all we do; and,
- Established the Office of the Director of Foreign Assistance to bring greater policy coherence and improved accountability to U.S. foreign assistance.

Development progress over the last 50 years has been remarkable but incomplete: people lead longer lives of better quality because of improved health status; literacy rates have increased; poverty has fallen sharply; and more people participate in democratic governance. Continuing crises such as the HIV/AIDS epidemic are beginning to be addressed and the international response to meet humanitarian needs of people adversely affected by disasters, such as the tsunami in Southeast Asia, have grown significantly. Development assistance from the United States has played a leading role in each of these areas.

Despite these steps forward, too many people remain poor and without opportunity or freedom.

The attacks of September 11, 2001, made clear that weak and failing states, with their lack of political openness and economic progress, pose a danger to international security. In 2002, the National Security Strategy of the United States identified development as one of the pillars of foreign policy, along with defense and diplomacy. The U.S. recognized that progress in development strengthens national security by encouraging a more prosperous, stable, and cooperative international community.

The 2006 National Security Strategy re-confirms and expands this analysis by advancing the view that the best way to achieve successful development is to build effective and secure democracies. *Effective democracies* are those that foster economic and social progress. By supporting these democracies, the U.S. seeks to lay the foundation for a safer and more prosperous world. To extend the *frontiers of freedom*, the United States is committed to supporting the rule of law, strengthening institutions of democratic and accountable governance, promoting economic and political freedom, and fostering sustained economic growth. This is the surest way to reduce poverty and to achieve the Millennium Development Goals.

As the world has become more globalized, the concept of “development” has come to represent a much broader range of interests and challenges that must be addressed by foreign aid. As a result, the Administration has declared that the focus of U.S. foreign assistance will support “transformational diplomacy,” which aims to help build and sustain democratic, well governed states that will respond to the needs of their people and conduct themselves responsibly in the international system.

In striving to attain transformational diplomacy, we seek to achieve five priority objectives: promote peace and security; promote just and democratic governance; support investment in people; stimulate economic growth; and provide needed humanitarian

assistance. In order to leverage all available resources to meet these objectives, we work to expand trade, engage the private sector, and strengthen civilian and military cooperation.

The United States seeks to make its aid more effective. The 2002 U.N.-sponsored International Conference on Financing for Development in Monterrey provided the foundation for U.S. policy. Trade, domestic resource mobilization, foreign direct investment, and debt relief are all part of a global strategy for development, in which traditional donor assistance plays an important but not dominant role.

In the *Monterrey Consensus*, developing country world leaders acknowledged that they must be the driving force for their own development and must implement sound economic policies, enhance trade, curb corruption, advance the principles of good governance, promote rule-of-law, and make investment in human capital a top priority. Developed countries, in turn, pledged to support these efforts with increased aid, an open trading system, and by encouraging private capital flows.

The United States has more than fulfilled its official development assistance (ODA) pledges and, along with its partners, has substantially reduced developing countries' debt load. As a strong champion of the principles it helped shape at the 2002 *Monterrey Consensus*, the United States continues to support country-led development and managing-for-results – both of which were later reflected in the 2005 Paris Declaration on Aid Effectiveness.

The United States established the Millennium Challenge Account (MCA) and, in 2004, established the Millennium Challenge Corporation (MCC) to promote transformational development by investing in countries that rule justly, invest in their people, and encourage economic freedom. The MCA reflects the Monterrey emphasis on country ownership and results and provides a strong incentive for countries that do not qualify to adopt these policies that are key to development success.

To address other policy areas, the United States also established several new organizations including the State Department's Office of the Global AIDS Coordinator to focus on the HIV/AIDS pandemic, and the Office of the Coordinator for Reconstruction and Stabilization to prevent conflict or prepare for post-conflict situations, and to help stabilize and reconstruct societies in transition from conflict or civil strife. In addition, USAID's Office of Military Affairs was created to increase civilian and military collaboration in implementing U.S. strategy for fragile states.

The United States also has undertaken several new initiatives, such as the President's Emergency Plan for AIDS Relief (PEPFAR) and the Initiative to End Hunger in Africa. U.S. private investments and efforts to promote free trade and democracy have all contributed to development progress.

More generally, the United States views sustained economic growth as essential for long term poverty reduction and for successful transformational development. MCC and

USAID have encouraged countries to adopt policies and build institutions that give the poor greater opportunities. Multilateral development banks have put in place performance-based allocation systems that provide more funds to countries that demonstrate better performance. The United States has played a leadership role in ending the “lend and forgive” cycle that plagues developing countries. Now, the vast majority of assistance is provided in grants instead of loans.

Building trade capacity also is a vital component of this economic growth strategy. U.S. development policy promotes the goals of the Doha Development Agenda (DDA), which calls for further integrating developing countries into the international trading system, enabling them to benefit from expanding global trade. The United States supports increased regional economic integration among developing countries as an important element for achieving growth and increased trade capacity.

The United States has simultaneously focused its policies on stimulating private capital flows. The Global Development Alliance, for example, catalyzes the private sector to put resources towards the development agenda through public-private partnerships with individuals and corporations to significantly leverage government resources. Also, the Development Credit Authority promotes private sector investment in developing countries by providing credit guarantees that reduce the risks associated with lending to new sectors or new borrowers.

Similarly, the Overseas Private Investment Corporation promotes private sector engagement by mitigating risks to investors. The Export-Import Bank, yet another example, helps developing countries finance capital good imports while the Trade and Development Agency supports trade integration and expansion with middle income and lower-middle income countries.

The United States remains committed to innovation, responsive to change, and open to new ideas.

The Secretary of State recently created the new position of Director of Foreign Assistance (DFA). The DFA serves concurrently as USAID Administrator while carrying out the duties of Director of Foreign Assistance. As USAID Administrator, the DFA is nominated by the President and confirmed by the Senate, and serves at a level equivalent to Deputy Secretary. This position brings even greater coherence to U.S. efforts in international development by focusing on USAID and the Department of State, which have responsibility for over half of all bilateral foreign assistance resources, and by working more closely with Treasury, MCC, USDA, and others.

We welcome the DAC Peer Review at this significant juncture in aid reform and look forward to your observations and recommendations.

## **CHAPTER 1: OVERVIEW OF U.S. FOREIGN ASSISTANCE GOALS**

*“Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies.”*

**The White House  
National Security Strategy  
Of the United States  
March 2006**

### **I. INTRODUCTION**

Over the past half-century, the development community of donor and host countries, working side-by-side, has helped millions to escape poverty. Incomes are on the rise, people are living longer, literacy is increasing, and infant mortality is steadily declining. More people in aid recipient countries are now able to vote for their own leaders, express their political beliefs, and practice their own religions. Freedom, opportunity and security are the tangible fruit of development and, by almost any yardstick, they are expanding.

While development progress has been widespread, it has not been universal. A significant number of countries have failed to achieve economic growth, improve governance, or reduce poverty. Lack of progress is not merely a lost country-specific opportunity but an increasingly global problem.

Weak and failing states continue to pose threats to world stability. Not surprisingly, many such states are among the poorest in the world. Most of these states have porous borders that let terrorism, political instability, organized crime, human trafficking, and infectious diseases move “next door” and around the world, sometimes with lightning speed and devastating impacts. Weak states are incompatible with advancing economic opportunity and improving the lives and livelihoods of their citizens.

Ignoring weak states is not an option for the United States in an increasingly interconnected world. Rebuilding countries in conflict is a top priority. As a result, our development assistance programs have changed to better support the national security interests of the United States and its partners. This shift recognizes that development reinforces diplomacy and defense. As we help build stable, prosperous, and more peaceful societies with responsible governments, we do what conscience demands by helping to improve people’s lives and minimize suffering. And we also reduce long-term threats to our national security and that of our partners and allies.

Since the September 11, 2001 terrorist attacks on the United States, development has become increasingly central to U.S. national security. This was reflected in the National Security Strategy of 2002 and further refined in the National Security Strategy of 2006. New institutions for administering foreign development assistance have been put in place,

including the Millennium Challenge Corporation, the President's Emergency Program for AIDS Relief, the State Department's Office of Conflict and Stabilization, and USAID's Office of Civil-Military Relations, to name a few.

Secretary of State Condoleezza Rice initiated a major policy reform in January 2006 based on the concept of transformational diplomacy. With the creation of the State Department's Office of the Director of U.S. Foreign Assistance, the reforms are now taking hold.

## **II. THE PROMISE OF DEVELOPMENT**

The United States believes that the entire globe will benefit from widening the circle of development, and we are committed to helping this happen. Many developing countries are transforming themselves and strengthening their national security and prosperity as well as our own. The requisites for success are clear. Good governance including democratic institutions, well-functioning markets, and investing in people is the most effective way to achieve the Millennium Development Goals.

U.S. interests in developing countries have intensified and expanded with globalization, as have security concerns. Successful developing countries – including countries that are still poor but making steady progress – have provided the most dynamic, rapidly expanding markets for U.S. trade and investment. Development progress also enhances the capacity and willingness of these transforming countries to address global and transnational issues, to better withstand natural disasters, and to avoid other humanitarian crises.

### **A. Assuring Security**

Development must start with a reasonable assurance of physical security. Over the past few years, the difficulties of providing assistance in conflict or post-conflict situations, combined with the need to establish a functioning state, have made security a fundamental prerequisite. This recognition has led us to use new mechanisms for civil-military cooperation.

U.S. civilian agencies – Department of State, USAID, Department of Agriculture, and others – have a long history, dating back to the post World War II-era Marshall Plan, of working closely with the Department of Defense (DOD) on reconstruction and humanitarian assistance. For years, civil-military cooperation has supported humanitarian efforts in conflict situations when civilian agencies alone were unable to assist beneficiaries because of the dangerous environments.

There are currently major ongoing DOD efforts, for example, to rebuild hospitals, schools, power stations, and wastewater treatment plants in Iraq and Afghanistan. These efforts complement U.S. civilian efforts. U.S. civilian and defense agencies have also joined hands to help millions of victims recover from the recent Indian Ocean Tsunami and from the catastrophic aftermath of the Pakistan earthquake. These last two civilian-

military humanitarian assistance efforts, while event-driven, are part of a larger, more integrated strategic planning effort within the U.S. government.

The Department of State created the Office of the Coordinator for Reconstruction and Stabilization to lead, coordinate, and institutionalize U.S. civilian capacity to prevent or prepare for post-conflict situations, and to help stabilize and reconstruct societies in transition from conflict or civil strife. These societies, in turn, are better positioned for a sustainable path toward peace, democracy, and a market economy.

USAID has also formulated a strategy for strengthening weak states, and established a new Office of Military Affairs to further strengthen civil-military cooperation. In addition, DOD is developing new and innovative strategies for stabilization operations.

### **B. Linking Democracy and Development**

Supporting the establishment of effective democracies has become an increasingly important part of U.S. development assistance. The resulting programs are diverse. They target post-conflict environments, transitions from authoritarian regimes, weak states, and threshold countries on the verge of transformation.

In Afghanistan, for example, the United States continues to be the largest donor supporting the emergence of a new democracy. The United States also is the largest donor supporting elections and other democracy-building efforts in Iraq. Working through international institutions and nongovernmental organizations, the United States has been a major contributor to recent peaceful democratic transitions in Georgia and the Ukraine.

The United States is active in promoting good governance and helping to build strong democracies throughout Africa, Asia, and Latin America. For example, the Threshold Program of the Millennium Challenge Account (MCA) focuses on governance issues including democratic oversight in its programs in Malawi, Tanzania, Paraguay, Albania, Zambia, Indonesia, Jordan, Moldova, the Philippines, and Ukraine.

Promoting democracy and respect for human rights has long been central to U.S. foreign assistance. As stated in the 2006 National Security Strategy, the goal of the United States is to extend the “frontiers of freedom” worldwide. U.S. assistance works to promote the rule of law, strengthen institutions of democratic and accountable governance to govern justly, and expand political freedoms through support of political parties, electoral administration, independent media and civil society. The United States also works to increase citizen participation through nongovernmental and other organizations.

### **C. Emphasis on Economic Growth and Trade**

The United States also encourages prosperity, having imported \$792 billion of goods from developing countries in 2005, a significant increase over prior years. The United States entered into the Dominican Republic-Central America Free Trade Agreement

(CAFTA), the African Growth and Opportunity Act (AGOA), and Doha Development Agenda (DDA) agreements in support of an aggressive free trade agenda. Building trade capacity remains an important component of this effort, amounting to \$1.342 billion in 2005.

The United States recognizes that private sector, market-led growth that is rapid, sustained, and broad-based will be the only way to reach the global improvements envisioned in the Millennium Development Goals. Host country governments must play a regulatory role in this process, but such a role cannot be heavy-handed. Fostering competitive market forces actually “pushes back” against entrenched economic interests and provides a powerful incentive for producers to raise their productivity.

Government policies to fund and broaden access to education and to spread opportunities for all citizens to accumulate assets will help break the transmission of poverty from one generation to the next. Cutting business and regulatory impediments will spur more broad-based competition. And simple financial sector reforms – such as easier titling of farms, business property, and homes – can help the poor to take advantage of new opportunities.

Other elements that contribute to empowering the work force and freeing private enterprise from the shackles of regulation include: government reform, including trade liberalization and integration with the OECD economies, securing land tenure, and improvements in public infrastructure. Experience has shown that most impediments to well functioning markets benefit the powerful and well-placed, while harming consumers, new and small producers, and the poor. Local knowledge is essential for identifying and breaking down the impediments to growth.

Finally, rich countries need to strengthen the international framework of policies, institutions, and public goods that support growth for developing countries. The Doha Round has provided a unique opportunity to integrate developing countries into the world economy and to leverage the flow of private resources to finance development.

The United States is committed to expanding trade opportunities that can significantly contribute to economic growth and global poverty reduction. In order to further these goals, the U.S. continues to provide strong leadership, in Geneva and elsewhere, to achieve the Doha Development Agenda (DDA) goals to integrate developing countries into the international trading system. And the United States continues its work with the Aid for Trade Initiative to help the least active countries participate in global trading.

#### **D. Boosting Aid Effectiveness**

Making U.S. assistance more effective is another force behind the ongoing strategic realignment of U.S. development assistance. In that regard, the 2002 U.N.-sponsored International Conference on Financing for Development in Monterrey was a watershed event. It established the parameters for a new era of successful global development.

What emerged from Monterrey was the view that enhancing the effectiveness of *all development resources*, public and private, was the key to long-term development to succeed. Under the new *Monterrey Consensus*, official donor aid was no longer the sole ingredient for development success. Development assistance was discussed in a comprehensive way and focused on the role of trade, domestic resource mobilization, foreign direct investment, and debt relief – not just the amount of traditional Official Development Assistance.

At Monterrey, leaders of developing countries acknowledged they are the driving force for their own growth and development and they must implement sound economic policies, enhance trade, curb corruption, advance the principles of good governance and rule-of-law, and above all, invest in the long-term well being of their people. Development success cannot be imposed from the outside. It results, instead, from a *partnership* between the donor community and developing countries.

The United States is fully committed to development innovations that make aid more effective while holding countries accountable for results. The U.S. was instrumental in its support for the 2005 Paris Declaration on Aid Effectiveness, which focused on improving resource flows in the donor community. This Declaration was a timely precedent to other events in 2005 such as the G8 Summit in Gleneagles, Scotland which focused on development in Africa, the U.N. General Assembly Review of the Millennium Development Goals, and the World Trade Organization Ministerial in Hong Kong. At these meetings, the United States once again re-affirmed that aid effectiveness, not just aid volume, was essential.

The Paris Declaration is consistent with U.S. guiding principles for development and reconstruction assistance. Country ownership, expansion of local and host country capacity, sustainability, selectivity, partnership, flexibility, and accountability are all key ingredients of successful development. Where appropriate policies and accountability exist, the U.S. is increasing the use of its local contracts and grants; funding host country experts, NGOs, and local firms to provide technical assistance; and increasing funding through host governments. These local approaches will go a long way to sustain development.

In 2002, the U.S. announced its intent to create the Millennium Challenge Account (MCA) and, in 2004, established the Millennium Challenge Corporation (MCC) to administer the account. The MCA is based on lessons learned about aid effectiveness. It provides assistance for economic growth and poverty reduction to those countries that have demonstrated they rule justly, invest in their people, and encourage economic freedom. To ensure country ownership, it gives countries the lead in identifying their own priorities and developing their own programs in consultation with their citizens. It agrees with its partners up front in a “compact” on objectives and measures of success. It fully funds these multi-year compacts and provides untied grant assistance.

### **E. An Emerging Policy Framework**

In Chapter 3, we present a new policy framework to clarify U.S. development objectives and to face the challenges described above. At a practical level, most ongoing U.S. foreign aid programs readily fit within this new framework, but the framework will enable us to better focus and prioritize our efforts and to manage for results more rigorously. The Bush Administration has established effective coordination mechanisms for foreign assistance in addition to the Office of the Director of U.S. Foreign Assistance, e.g., the Development Policy Coordinating Committee, the MCC Board, the Trade Promotion Review Committee, and others.

The main point is that U.S. foreign aid entails distinct goals and concerns, in diverse country settings, which calls for distinct guiding principles, allocation criteria, and results indicators. As the organizational structure of the State/F and policy framework unfolds, we expect to see further improvements in the coordination of U.S. ODA and foreign assistance.

## **CHAPTER 2: AID VOLUME AND TOTAL FLOWS**

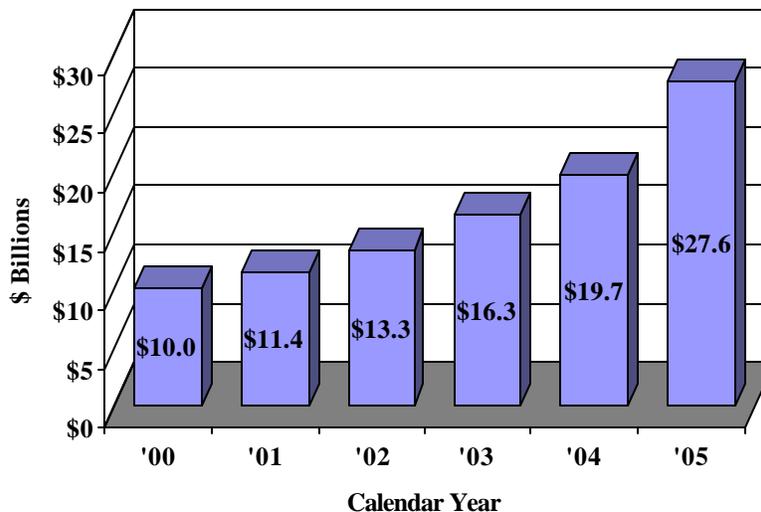
U.S. resources for development have expanded dramatically to match the importance of development in U.S. policy. The record for generosity is evident by the increase in U.S. Official Development Assistance, trade with the developing world, charitable contributions, and other sources.

### **The U.S. Record <sup>1</sup>**

- Top importer of goods from developing countries in 2005 with \$792 billion.
- World's largest single country donor of foreign aid. According to preliminary figures, annual official development assistance nearly tripled from \$10 billion in 2000 to \$27.6 billion in 2005.
- \$2.7 billion in HIV/AIDS funding through the President's Emergency Plan for AIDS Relief in 2005.
- \$3.5 billion in humanitarian assistance in 2005.
- \$6.8 billion in private charitable contributions to developing countries.
- Nearly tripled aid to Africa since 2000 from \$1.5 billion to \$4.2 billion.

<sup>1</sup> All figures represent the most current data available.

**Total Net U.S. Official Development Assistance  
2000 - 2005**



## **ELEMENTS OF THE U.S. CONTRIBUTION TO DEVELOPMENT FROM THE PRIVATE AND PUBLIC SECTORS<sup>1</sup>**

### **Trade**

The United States is the leading importer from developing countries, with the total import of goods valued at \$792 billion in 2005. Trade creates jobs and jobs can help reduce poverty. The agricultural sector is a major contributor to the GNP of developing countries, and agricultural liberalization is a direct and powerful antipoverty measure. Because of this, the U.S. actively seeks greatly reduced developed world agricultural export subsidies and tariffs in the WTO Doha Development Agenda trade negotiations.

In 2005, Congress approved the Central America Free Trade Agreement (CAFTA) and is currently negotiating or seeking congressional approval of additional FTAs with developing countries. The U.S. has further demonstrated its commitment to helping developing countries benefit from the global trading system by pledging to double annual "Aid for Trade" assistance from \$1.34 billion in 2005 to \$2.7 billion by 2010.

### **Other Private Financial Flows**

The U.S. is an important source of private financial flows to the developing world. Besides trade, U.S. private financial flows in 2005 totaled \$119 billion: personal remittances of \$41 billion; total net private capital flows of \$69 billion (consisting of both net foreign direct investment and the net flow of securities); and private grants of \$9 billion.<sup>2</sup>

### **Official Development Assistance (ODA)**

The Bush Administration has dramatically increased Official Development Assistance (ODA), at a faster rate than at any time since the Marshall Plan. U.S. ODA spending increased from \$10 billion in 2000 to \$27.6 billion in 2005, an increase of 176 percent. U.S. bilateral ODA to Sub-Saharan Africa increased to \$4.2 billion in 2005, an increase of more than 284 percent over 2000 ODA levels. In 2005, the 10 largest recipients of bilateral aid and debt relief were: Iraq (\$10.8 billion), Afghanistan, (\$1.3 billion), Sudan (\$771 million), Ethiopia (\$625 million), Egypt (\$397 million), Pakistan (\$362 million), Jordan (\$354 million), Colombia (\$334 million), Uganda (\$242 million), and Serbia-Montenegro (\$181 million).

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<sup>1</sup> Some forms of government expenditures promote development but are not counted under the OECD DAC definition as part of Official Development Assistance (e.g., some forms of military assistance). All private sector programs and international trade are not considered part of ODA.

<sup>2</sup> Private flow figures are from the Balance of Payments Division, Bureau of Economic Analysis, U.S. Department of Commerce.

### **Millennium Challenge Account (MCA)**

In 2004, President Bush established an innovative mechanism for providing development assistance, the Millennium Challenge Account. It is built on the principle that foreign aid yields better results where there are sound policies and good governance that promote economic growth. Since its inception, Congress has appropriated approximately \$4.25 billion for the Millennium Challenge Corporation for fiscal years 2004-2006. As of November 2006, MCC has approved Compacts with eleven countries (Armenia, Benin, Cape Verde, El Salvador, Georgia, Ghana, Honduras, Madagascar, Mali, Nicaragua, and Vanuatu). In addition to Threshold Program agreements with eleven countries designed to help them meet criteria for Compact eligibility (Albania, Burkina Faso, Indonesia, Jordan, Malawi, Moldova, Paraguay, Philippines, Tanzania, Ukraine, and Zambia), and pre-compact assistance, commitments of MCA assistance total about \$3.2 billion.

### **President's Emergency Plan for Aids Relief (PEPFAR)**

President Bush's Emergency Plan for AIDS Relief continues to fight the pandemic in Africa, Asia and the Caribbean. Building on prior success and in partnership with the host nations, the \$2.7 billion in 2005 funding supported prevention outreach to 42 million people; counseling and testing of over 9.4 million people; distribution of anti-retroviral treatment to over 471,000 individuals worldwide; and care for nearly 3 million people, including over 1.2 million orphans and vulnerable children and over 1.7 million people living with HIV/AIDS.

These results demonstrate important progress towards the goals of treating at least 2 million people with anti-retroviral therapy, preventing 7 million new infections, and providing care for 10 million persons infected with and affected by HIV. The Emergency Plan works in over 120 countries worldwide with a focus on 15 of the most afflicted countries in Africa, Asia and the Caribbean. In 2006, the Emergency Plan is committing an additional \$3.3 billion to the fight against Global AIDS.

### **Humanitarian Assistance**

Total USG funding for humanitarian assistance was \$3.5 billion in 2005. The U.S. is the largest donor country of official humanitarian aid for victims of famine, persecution, war and natural disasters. We give humanitarian aid to people without regard to political or military relations with their governments. Our emergency relief includes the rapid delivery of food, water, shelter, and medicines.

The U.S. also provides major resources for ongoing reconstruction efforts to help nations recovering from conflict and natural disasters. Often, the U.S. military mobilizes to deliver life-saving aid to victims as quickly as possible, such as after the Asian Tsunami of 2004 and the Pakistan/South Asian earthquake of 2005. Private donations for Pakistan earthquake relief totaled over \$129 million at the end of 2005.

## **Debt Forgiveness**

The U.S. government cancelled a total of approximately \$4.2 billion in bilateral debt during 2005, including 100 percent of Iraq's debt. Additionally, at the G8 summit in 2005, the United States led efforts to obtain G8 approval of what is now the Multilateral Debt Relief Initiative (MDRI) for the Heavily Indebted Poor Countries (HIPCs). This bold initiative could result in the elimination of up to \$60 billion of debt over 40 years.

## **Multilateral Contributions**

The United States is the world's single largest contributor to the United Nations and to the multilateral development banks (MDBs). In 2005, U.S. donations to multilateral organizations including the UN, World Bank and other MDBs totaled \$2.3 billion. U.S. ODA contributions to the United Nations totaled \$686 million in 2005.

## **Public-Private Partnerships**

USAID's Global Development Alliance (GDA) was created in 2002 to forge public-private alliances to stimulate economic growth, address health and environmental issues, and expand access to education and technology. More than 1,400 organizations, including international and local businesses, private foundations, NGOs, and governments are alliance partners in 97 countries in the developing world. USAID has funded about 400 alliances, with over \$1.4 billion in government funding leveraging more than \$4.6 billion in partner resources. OPIC, the Export-Import Bank, and the United States Trade and Development Agency also engage in public-private alliances.

## **Peace and Security Cooperation**

Peace and stability are important preconditions for development. U.S. spending on overseas security programs increases stability and contributes to sustainable economic growth and poverty reduction. In fiscal year 2005, U.S. security assistance was \$5.7 billion, with an additional \$1.1 billion spent for UN peacekeeping activities from the Contributions for International Peacekeeping Activities (CIPA) account.

## **Private Charity**

Year after year, Americans are among the most generous people, per capita, in the world. During 2005, U.S. NGOs donated at least \$6.8 billion to developing countries. Since comprehensive data on private giving are limited, estimating the total level of donations by private charities is difficult. The Hudson Institute, an independent organization, placed the value of total U.S. private assistance in 2004 at approximately \$24.2 billion.<sup>3</sup>

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<sup>3</sup> The Hudson Institute figure for total charitable giving in 2004 was \$71.2 billion, of which \$47.0 billion was remittances according to their 2006 report [The Index of Global Philanthropy](#).

## **CHAPTER 3: A FRAMEWORK FOR POLICY COHERENCE**

*“The ideals that have inspired our history – freedom, democracy, and human dignity – are increasingly inspiring individuals and nations throughout the world. ... We choose leadership over isolationism and the pursuit of free trade and open markets over protectionism. We choose to deal with challenges now rather than leaving them for future generations. We fight our enemies abroad instead of waiting for them to arrive in our country. We seek to shape the world, not merely be shaped by it; to influence events for the better instead of being at their mercy.”*

**President George W. Bush  
Letter Introducing the National Security Strategy  
March 16, 2006**

### **I. OVERVIEW**

The 2006 National Security Strategy envisions a world of open societies and open markets, in which all peoples participate in the promises of global freedom and prosperity. But a world populated by many states in which poverty, violence, and disease prevail, and in which hopes are regularly shattered by shocks beyond the control of fragile states and vulnerable communities, cannot achieve or sustain this vision. It will require a significant transformation of the economies, policies, and human conditions in the poorest countries to achieve the goals of the National Security Strategy.

The National Security Strategy demonstrates the importance of development as a fundamental tool of U.S. foreign policy and national security. This renewed emphasis on development requires an examination of how transformational development serves U.S. foreign policy objectives for a stable, democratic and prosperous world. A major step in implementing this strategy has been to recognize that the term “development” now encompasses a much wider range of interests and concerns than during the Cold War and immediate post-Cold War era. Further, as a global donor with ODA at the level of \$27.6 billion (2005), the U.S. Government must confront the strategic consequences of the scale of its assistance.

Responding over many years to this complex mission, U.S. assistance programs implement numerous legislative mandates through multiple agencies and funding accounts. U.S. aid programs are delivered largely through a decentralized structure that maximizes flexibility in adapting to local conditions. This, however, makes coherence a challenge for U.S. development policy and practice.

Like the rest of the development community, the United States recognizes that there are a set of developing countries that have taken ownership of their own development, are on a sustained growth path, and continue to expand their capacity to govern. Another set of countries, when confronted by recurrent shocks (economic, natural disasters, or political instability and conflict) have failed to overcome the challenges of development or to mobilize domestic resources, govern effectively, and expand capacity in either the public

or private sector. However, there are many differences that exist among developing countries, and many differences in U.S. interests in those countries.

Three conclusions emerge from this analysis and inform the reform of U.S. foreign aid.

- First, development is neither a homogenous nor necessarily a linear process. Developing countries differ sufficiently to require significantly different strategies and assistance mechanisms. Further, there are thresholds that must be crossed and shocks that must be overcome for sustained development. A viable policy framework must recognize these facts.
- Second, some challenges and some country conditions are inherently more promising than others. Some countries offer very high risk for fairly low returns. Some development problems are of such importance, often with high externalities, that efforts must be made even if success is uncertain. A good framework must inform these choices.
- Third, donors differ in their comparative advantages. Consequently, selectivity must be basic to all assistance programs. An adequate framework that builds program planning on U.S. capacity, and serves to improve that capacity, will greatly improve aid effectiveness.

In recognition of these challenges -- conceptual and operational -- and in response to the clear need to demonstrate greater aid effectiveness and results, Secretary of State Rice announced a major reform of U.S. assistance and created a new position of Director of Foreign Assistance (DFA) within the Department of State. The DFA integrates the assistance programs of the State Department and USAID and facilitates interagency coordination of development assistance with Treasury Department, Millennium Challenge Corporation, Department of Defense, US Department of Agriculture, and others. Treasury continues to lead U.S. policy with respect to the international financial institutions.

The first step of the reform has been to establish a typology of countries, taking into account country diversity, that at a strategic level can guide policy and program choices, leaving the details of program design and implementation, appropriately, to the field missions to adapt to unique local conditions. In its *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century* (2004) and *Policy Framework for Bilateral Foreign Aid* (2006), USAID began a process of developing such a typology, which has been further elaborated in an inter-agency process.

The United States has concluded that its assistance programs need to recognize different types of countries. Expectations and objectives need to be tempered by local capacity, the political will within a country to make and implement development decisions, and the ability to absorb and use resources effectively. Program priorities will also differ among country categories. For a country emerging from civil war, state building must be the top

priority. For a country already on a stable growth path, encouraging private markets and trade, and the expansion of social services, all move to the front.

States with established capacity but in transition from authoritarian regimes or civil war present yet another set of challenges. These differences, in turn, necessitate the use of different program instruments (peace keeping, technical assistance, budget support, regional integration, public-private partnerships, etc.). Further, standard development interventions such as health, education, governance, or economic growth must be adapted to the country conditions. Finally, accountability for results must take into account the differing policy and program objectives among different types of countries.

The policy implications of this approach can be briefly stated as follows:

- Development is not simply a matter of pumping resources into existing structures, but rather supporting significant structural and institutional changes that can build capacity, improve productivity, and encourage effective democratic governance that can guide and sustain commitment to development.
- Effective aid requires planning and management systems that can adapt program objectives and aid modalities to particular circumstances and capacity.
- Aid effectiveness must be achieved through rigorous results-based planning in which objectives are linked to country realities, and through rigorous monitoring that links resources to results.
- Improved transparency and coordination of all USG assistance programs are needed to assure accountability and coherence among U.S. programs.
- Sustainable results will also require the U.S. to leverage and support private flows and the efforts of other donors.
- Finally, sustainability of results, the graduation of countries from aid, and the integration of developing countries into the global economy and global institutions are the long-term goals of U.S. development efforts.

## **II. A NEW FRAMEWORK**

As a first step in implementing this reform, DFA has sought to clarify U.S. development policies and objectives in a framework that takes into account two planning dimensions – country conditions on the one hand, and objectives for encouraging transformational development on the other. The DFA analysis has identified six strategic categories for country programs that will guide programming decisions. These include: a) rebuilding countries; b) developing countries; c) transforming countries; d) sustaining partnership countries; e) restrictive countries; and f) global/regional issues. Each of these will be developed briefly below.

The analysis then identifies five objectives for effecting the necessary transformation of the diverse sets of countries above. These include, most importantly: establishing peace and security, improving just and democratic governance, investing in people, stimulating economic growth, and providing humanitarian assistance. The priority of each of these

different policy objectives will differ among the country categories above, as will the assistance modalities, performance criteria, and appropriate level of resources.

The keys to the new U.S. approach are differentiation and selectivity -- **differentiation** that recognizes that the character of the development problem and the role of aid will vary across country categories, and **selectivity** that is based on country capacity, commitment, and performance.

### **III. RESPONDING TO DIFFERENT COUNTRY CHALLENGES**

#### **A. Rebuilding Countries**

**Rebuilding countries** are states in, or emerging from rebuilding, after internal or external conflict, which affects: 1) resources available to meet citizen needs; and/or 2) government's ability to move forward on transformational development. Diplomacy and/or defense structures have lead roles, with support from foreign assistance. The program goal is a stable environment for good governance, increased availability of essential social services, and initial progress to create policies and institutions upon which future progress will rest. Initial assistance efforts must be targeted at the three- to five-year period in which two-thirds of states emerging from conflict return to conflict, and moving countries into the developing or transforming country category.

Although circumstances vary widely, Rebuilding countries and entities (in or emerging from crisis) generally exhibit common characteristics that help inform a response. Governance is generally poor, with state structures lacking the capacity or will to serve their citizens well. Conditions range from total state collapse to abusive, discriminatory, or corrupt institutions that cannot maintain public order, provide essential services, or control territory and borders.

In these conditions there are few checks on executive power. Conflict persists unresolved, fueled by actors with the capacity or incentive to undermine the peace (including factionalized political elites, criminal groups, terrorist networks, militias, paramilitary groups). Economies and lives are disrupted, with individuals displaced, infrastructure destroyed, savings and investment collapsing, jobs and basic social services undermined, and health and environmental standards falling. A culture of impunity tends to be pervasive, with the erosion of law and order, frequent human rights violations, as well as a breakdown of trust, social capital, and social cohesion.

Negotiated cease fires or peace accords are only a first step; follow-up efforts are often difficult. Large numbers of U.S. bilateral and multilateral actors often play a central role in maintaining peace, order, and service delivery, and the high cost of interventions (due to security and logistical challenges) necessitates burden sharing among donors.

In Rebuilding countries there are generally major demands on resources to address humanitarian concerns, security, and immediate conflict drivers. While these resources form the foundation of rebuilding efforts, interventions should also support measures that

enable countries to move beyond crisis permanently. Enduring stability requires long-term commitment to helping countries (re)build their institutions and social fabric.

Coordination among assistance efforts is essential – none of the five priority objectives can be achieved alone. In general, interventions should be inter-sectoral, mutually reinforcing, and appropriately sequenced. In addition to addressing security and conflict issues, program objectives include: reducing spill-over effects that threaten the security of other states, establishing an effective and democratic state, and creating the conditions for an efficient market economy.

## **B. Developing Countries**

The **Developing Country** category covers a very broad range of countries with a per capita income below \$3,255 (2004) and policy performance that falls short of MCA eligibility criteria and/or specific criteria for political rights and corruption. The parameters for the category are essentially the broad swath of countries between the rebuilding and transforming categories, i.e., they are not in or emerging from internal or external conflict and fall short of the criteria for the transforming category.

The program goals for these countries are to help them adopt policies and strengthen institutions in order to enhance peace and security, govern justly and democratically, invest in people, promote economic growth, and manage disasters. In addition, the objective is to help countries advance to the transforming category and to help countries with political or economic instability avoid declining into the rebuilding category. Programs should recognize and support recent political transitions that show promise of significant improvements in democracy and development.

## **C. Transforming Countries**

**Transforming countries** are low or middle-income states that have met MCC performance criteria including specific standards for political rights and control of corruption. They are relatively good policy performers in the developing world. Nonetheless, progress is typically constrained by factors that vary from country to country.

Commonalities notwithstanding, the variation in level of development within the transforming country category is substantial. A number of countries should graduate from significant U.S. assistance over the coming decade. Assistance in those countries should focus narrowly on specific constraints. The less advanced countries in this category may warrant a broader developmental approach. Some countries are in danger of backsliding and require help with critical constraints such as insurgencies or criminal violence, or problems in sustaining appropriate fiscal and economic policies.

The goal is to create an environment that nurtures good governance and sustainable economic growth. In most cases, targeted financial resources and technical assistance can accelerate progress toward that objective in a less intrusive and intensive manner than

in the rebuilding or developing category. We would expect that private investment and trade should play an increasing role in financing development.

#### **D. Sustaining Partnership Countries**

**Sustaining partnership** countries are those with upper middle or higher income (greater than \$3,255 per capita in 2004) that receive U.S. assistance to sustain partnerships, progress and peace in areas of mutual interest. Mutual interest, defined by U.S. national interest, takes multiple and complementary forms:

- Strategic partnerships in the areas of security, counterterrorism, weapons of mass destruction and counter-narcotics;
- Cooperation on trade, investment and resource management issues;
- Cooperation to promote democracy, good governance and public well-being through improvements in health, education and the environment;
- Cooperation on emergency needs as necessary.

In most cases, assistance to address mutual interests will focus on peace and security. In some cases, however, assistance will focus on traditional development concerns or “niches.” The apparent bifurcation reflects the broad spectrum of performance revealed by MCC and political rights indicators, the relatively high income levels of this set of countries notwithstanding. For example, some countries have well-established democratic institutions, self-sustaining economies and literate populations. Others lack political rights/civil liberties, are weakened by corruption.

U.S. policy priorities in this category of countries are principally defined by U.S. national interests across a range of global issues and regional peace- and security-related concerns (counterterrorism, counternarcotics, law enforcement, conflict, etc.), where additional funding further extends the host country's efforts in those areas. Examples of such programs are the HIV/AIDS program in South Africa and the conflict program in Cyprus.

#### **E. Restrictive Countries**

**Restrictive countries** are those for which there are significant limitations, largely legal, on the nature and scope of foreign assistance activities that we can implement. These countries represent a range of economic and political development and are not specific to any one region. What these countries do have in common is that they have repressive regimes—regimes that are not working toward a well-governed democratic state that is responsive to the needs of its people.

Because the regimes in question are not focused on building well-governed democratic states, our major foreign assistance priority in these states is, in most cases, to promote just and democratic governance, to respond to humanitarian needs, or to deal with immediate transnational problems. Considering that the legal restrictions imposed by the U.S. Congress or the Executive Branch are primarily aimed at ensuring that our

assistance dollars are not provided directly to the repressive governments, our assistance activities in restrictive states are typically carried out by civil society.

Investments in the people of these nations can also be important, for example, in addressing infectious diseases, which know no borders. Considering the lack of appropriate government foundation, economic growth is generally not a primary objective.

#### **F. Global and Regional Programs**

Achieving foreign assistance objectives that have transnational dimensions may require a regional or global approach. For issues that transcend a single country's or region's borders, global, regional, and central programs can augment bilateral programs to advance our transformational diplomacy objectives.

- **Global programs** are those with goals that transcend a single region's borders. They support multi-party partnerships including international treaties, multilateral and international organizations, and/or international research and program innovations such as those for health and agriculture.
- **Regional programs** support regional organizations such as ASEAN and the African Union, or are comprised of activities that serve a group of countries in a particular region such as regional training centers.
- **Central programs** are implemented by either functional/pillar bureaus or regional operating units in Washington or the field. They include support to the field, provision of technical expertise in Washington or in regional platforms; support for programs managed centrally but implemented at the country level, e.g., President's Emergency Plan for AIDS Relief; contingency funds; and any other centrally managed and implemented programs.

#### **IV. OBJECTIVES**

The foreign assistance framework provides the foundation for a more coherent, strategic approach to development and foreign aid. The *overarching goal* is to "help to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system." This is central to the 2006 National Security Strategy and the President's Freedom Agenda, and repositions the focus of U.S. foreign aid squarely on country-level outcomes.

The framework identifies five objectives that are critical to development progress in all countries, though of varying importance depending on the particular country and its level of development. The five objectives also cover issues of mutual interest and cooperation, particularly (but not solely) in more advanced developing countries.

##### **A. Peace and Security**

U.S. assistance programs help nations effectively establish the conditions, capacity, and commitment for achieving durable peace, security, and stability; and for responding effectively to threats to national or international stability or security. The key program areas are:

- Stabilization operations and security sector reform. A host nation's security sector includes military, paramilitary and law enforcement forces.
- Conflict mitigation and response – to reduce the threat or impact of violent conflict and promote the peaceful resolution of differences; mitigate conflict if it has already broken out; and establish a framework for peace and reconciliation.
- Counter-narcotics – to combat international narcotics production and trafficking; reduce the cultivation and production of drugs; prevent the resurgence of drug production; and limit the collateral effects of the drug trade through international drug control and demand reduction projects.
- Transnational crime – to minimize the adverse effects of criminal activities on the United States and its citizens, particularly when these criminal activities involve cross-border connections or have cross-border effects.
- Counter-terrorism – expand foreign partnerships and foreign partner capacities, strengthen global capabilities to prevent terrorists from acquiring or using weapons of mass destruction, and institutionalize the Global War on Terror strategy both in the United States and abroad.
- Combating weapons of mass destruction (WMD). Programs to control WMD and counter proliferation; combat WMD terrorism; and build international awareness, prevention, preparedness, and response capabilities related to bioterrorism.

## **1. Policy and Legislative Context**

As the National Security Strategy of 2002 (and again in 2006) attests, the United States fully subscribes to the principle that a coherent, whole-of-government response is essential in dealing with fragile states, especially those undergoing post-conflict stabilization and those whose governance deficits create security threats. To address this group of high-priority fragile states, the President issued a directive (NSPD 44) that laid out specific steps to improve coordination among U.S. departments and increase their capacity to respond. A central feature of this directive was the creation of the Office of the Coordinator for Reconstruction and Stabilization in the Department of State (S/CRS). For its part, the Department of Defense issued Directive 3000.5 entitled Military Support for Stability, Transition, and Reconstruction (SSTR) Operations in November 2005.

## **2. Key Agencies**

S/CRS coordinates and institutionalizes U.S. civilian capacity to prevent or prepare for post-conflict situations, and to help stabilize and reconstruct societies in transition from conflict or civil strife, so they can reach a sustainable path toward peace, democracy, and a market economy. Both USAID and DOD have detailed staff to S/CRS and continue to collaborate closely with that office.

Within the Department of Defense, the SSTR Directive gives stability operations a priority comparable to combat operations. The immediate goal of U.S. stability operations is to provide the local population with security, restore essential services, and meet humanitarian needs. The long-term goal is to help develop national and local capacity for securing essential services, a viable market economy, rule of law, democratic institutions, and a robust civil society. The SSTR Directive recognizes that the success of these operations requires a unified effort by civilian and military agencies.

To formalize the linkages between development and military efforts, USAID set up an Office of Military Affairs (OMA) in March 2005. OMA is building on the already extensive relationship between USAID and DOD on humanitarian operations in the field – unparalleled coordination in response to the South Asian tsunami being the most recent example – to establish closer partnerships in post-conflict and stabilization efforts through coordinated planning, training, education, and exercises as well as to develop guidelines and procedure consistent with each organization’s mandate.

OMA works in close coordination with S/CRS and the Department of State’s Bureau of Population, Refugees and Migration (PRM). In addition, because violent conflict threatens U.S. and international security and produces serious development and humanitarian costs, USAID created a new Office of Conflict Management and Mitigation (CMM) to mainstream conflict mitigation into all of USAID’s work, focusing on analysis and programming. Further, the U.S. is exploring new partnerships with the private sector – both local and multinational corporations and businesses – to discourage violence and promote stability.

### **3. Interagency coordination**

Coordination of reconstruction and stabilization occurs through an interagency Policy Coordinating Committee (PCC) and sub-PCCs focused on issues ranging from early warning to humanitarian response to transitional security and justice. S/CRS serves as convener and secretariat to the PCC and sub-PCCs. The sub-PCCs have served as venues to identify at-risk countries, advance an interagency strategic planning process, develop various types of surge capacity, and establish the interface between civilian agencies and regional commands. S/CRS has established a senior interagency coordination committee to manage policy for U.S. stabilization and reconstruction efforts and has developed both planning templates and operational models such as “Advance Civilian Teams” to achieve unity of effort at both the Washington and field level. Interagency planning efforts have now been piloted in Sudan, Haiti, and elsewhere.

There has been significant progress in enhancing coordination between key parts of the U.S. Government. Security sector reform has been a central issue pursued by the State-USAID Joint Policy Council. There has also been significant work among State, DOD and USAID, facilitated by S/CRS, to bring civilian-military linkages closer at both the policy and operation level. In addition, there has been close interagency collaboration in working with the Congress, for example, to review legislation and its impact on our

work, and to determine how the United States can work most effectively in this critical field.

While still a new office, S/CRS has led and coordinated interagency civilians in planning for integrated responses (in Sudan and Haiti, and elsewhere) and assessing drivers of conflict in Sudan, Chad and Haiti, and in applying best practices from stabilization and reconstruction operations in a range of countries. S/CRS is building unity of effort by recruiting staff, providing training, and exercising models for civil-military integration.

For example, S/CRS led a team of interagency participants in an exercise hosted by the U.S. Southern Command, the largest ever civilian participation in a military exercise, to test models that will soon be revised and approved. Across civilian agencies, standing and stand-by surge capacities are being built for deployment in major operations. Led by S/CRS efforts, an interagency cadre of civilian planners and operations experts is developing common approaches to stabilization and reconstruction, cross training, and testing approaches with military and international partners.

#### **4. Analysis and Results Framework**

The U.S. is developing tools to identify and analyze patterns of conflict, instability, and fragility. These include a common U.S. Government assessment tool, a matrix of essential tasks, and a common strategic planning framework for cross-agency responses for stabilization and reconstruction. These tools build on the existing efforts of USAID, DOD, and the State Department, as well as international partners such as the United Kingdom, the United Nations, and the World Bank. They have been applied, as appropriate, to U.S. efforts in Sudan, Haiti, and Chad.

USAID is developing a series of program “toolkits” that explore key risk factors in greater detail, provide an in-depth analysis of why a particular issue is linked to violence, and lay out key lessons learned, program options, and monitoring and evaluation tools. The U.S. is also actively engaged in information exchanges with other donors on conflict management and mitigation strategies.

#### **5. Coordination with Other Donors**

The OECD/DAC work on security has also stimulated more detailed analysis on the closely related issue of conflict, facilitating a better understanding of how to prevent, manage and mitigate violent conflict. USAID, the Department of State and DOD have all focused on improving the analysis of conflict and fragility and how to more effectively address these obstacles to economic development.

The April 2004 OECD/DAC policy statement on Security System Reform and Governance highlighted the centrality of security to U.S. goals of poverty reduction and development, and the corresponding need for democratic reform of the security sector. Such reforms must include not only the military, but also the police, the judicial and legal systems, and other elements of the state and community that are charged with oversight

of security forces. The adoption of the policy statement by the U.S. and other high-level development officials of OECD countries reflect the growing international agreement to strengthen democratic governance of the security sector.

A key aspect of the DAC policy is the agreement to fully coordinate all parts of donor governments to improve effectiveness in responding to challenges. The U.S. commitment to the DAC policy initiated numerous activities within the U.S. Government. Working groups were established to review approaches to security sector reform and examine constraints. This internal review has led to the reinvigoration of U.S. engagement in the security sector in a more strategic fashion, highlighting the need for close collaboration with partners inside the U.S. and among the donor community.

One concrete result of the U.S. review was the relaxation of long-standing restrictions barring USAID from working with foreign law enforcement entities. The 2005 Foreign Operations Appropriations Act expanded USAID's support for civilian police from what had been a very limited, case-by-case basis, to allow assistance to community-based police on a world-wide basis. USAID's goals in the area of civilian policing are to establish the rule of law with security and human rights protections as an inherent component of a democratic political order; and, to establish a positive enabling environment for economic growth, including commercial activity, investment and trade.

## **6. Program Innovations**

The United States, like many other donors, has made security-sector reform (SSR) a key focus in responding to threats posed by fragile states. SSR consists of a broad range of activities involving a wide variety of local stakeholders and external partners. The unifying factor is the focus on democratic governance.

However, two other factors significantly affect a country's ability to provide the security necessary to expand development. First, security forces need to be able to carry out their constitutionally mandated tasks in an effective and professional manner, and second, for countries emerging from violent conflict, the legacies of war need to be addressed.

There are a set of increasingly widely accepted principles of security-sector reform, all of which relate to key aspects of democratic security-sector governance. Lack of attention to security-sector governance leads to tolerance of politicized security forces, war as a means of resolving disputes, flagrant disregard for the rule of law on the part of security forces, serious human rights abuses by security forces, budget allocations skewed toward the security forces, especially defense and intelligence, and diminished capacity.

The United States has achieved notable successes within security sector reform and is continuing this critical work. Most work has focused on post-conflict issues such as demobilization, de-mining, child soldiers, and the reintegration of ex-combatants. Increasingly in pre-conflict settings, the emphasis is shifting more directly on issues such as increasing civilian oversight, community policing, and civil-military relations. U.S. Government programs have promoted community policing to manage crime in Latin

America, reintegrated former combatants in countries across Africa and Asia, and made crucial progress with anti-trafficking efforts and public corruption in Europe and Eurasia.

The U.S. helps relevant civilian bodies in government to manage security forces more effectively and to apply principles such as transparency, accountability, respect for human rights, and informed debate and participation on military expenditures and threat assessment. Areas of major programmatic focus include strengthening the institutional and legal framework of public spending and security decision-making, and ensuring transparency and attention to corruption. For example, USAID programs in Indonesia include civil-military activities that help reinforce legislative oversight of the military by raising awareness of issues such as military-owned businesses, corruption, territorial affairs, and control of natural resources. The programs also address the military's involvement in inter-ethnic conflict.

### ***Case Study: Rebuilding Afghanistan***

The United States is working with Afghan leaders and partners in the international community towards collective objectives: Afghanistan never again becomes a haven for terrorists; is inhospitable to the production and trafficking of narcotics; enjoys a government grounded on the basic principles of representative democracy; observes international standards concerning human rights; possesses the means to defend its own borders and protect its citizens; and can provide its citizens with essential services.

At the heart of this mission is the demanding and costly work of assisting Afghans as they rebuild their country. Strong U.S. Government leadership and coordination has helped Afghanistan make significant achievements towards goals such as paving roads, building an army, and educating children.

***Effective U.S. Interagency Cooperation.*** To facilitate U.S. interagency cooperation, the Afghanistan Interagency Operations Group (AIOG) was created. This group includes every U.S. agency with a presence in Afghanistan and is co-chaired by the National Security Council (NSC) Senior Director for Afghanistan and the Afghanistan Coordinator at the Department of State. The AIOG meets daily to discuss issues that warrant interagency dialogue and input, and to promote decisions to the higher level Deputies Committee or Principles Committee. Though the AIOG is the primary conduit for decision-making in Washington, one of its critical purposes is to support U.S. personnel in Kabul.

***Unified Strategy and Reporting Mechanism.*** Since fiscal year 2004, the AIOG has created the Action Plan for Afghanistan. This document outlines the U.S. strategy for achieving its objectives in Afghanistan as well as the metrics used to gauge the success of efforts and programs on the ground. The AIOG uses the Action Plan to monitor collective U.S. progress and escalate issues to the Deputies Committee and other senior Washington officials. The Action Plan attempts to streamline the individual strategies and performance monitoring plans of individual agencies.

***Civil-Military Cohesion.*** Provincial Reconstruction Teams (PRTs) are small, joint civilian-military organizations that were established in Afghanistan at the end of 2002 – there are currently 23. In Afghanistan, PRTs have been instrumental for delivering U.S. and international assistance outside of Kabul, particularly in unstable provinces. They are designed to improve security, extend the reach of the Afghan government, and facilitate reconstruction. Their core objective is to work with provincial authorities, and implement projects that will improve stability so more traditional forms of development assistance can take place. PRTs are managed by either NATO/ISAF or Coalition countries (such as the United Kingdom and New Zealand) and include staff from State, USAID, and USDA, and civilian personnel from other donor countries.

***U.S. Promotes Strong Donor Coordination.*** In December 2001, the United Nations sponsored talks in Bonn to establish an Afghan Interim Authority to create a plan for reconstructing the country through broad international support. The ensuing Bonn Agreement called for a new constitution, a *loya jirga* (an emergency tribal council), and a judicial commission to rebuild the justice system in accordance with Islamic principles, international standards, and the rule of law as well as the establishment of a Supreme Court of Afghanistan.

***The Afghanistan Compact.*** The successor to the Bonn Agreement, the Afghanistan Compact, was laid out in London in January 2006. It created a framework for continued international engagement in Afghanistan for the next five years by setting outcomes, benchmarks and mutual obligations to ensure greater coherence of effort between the Afghan government and the international community. The Government of Afghanistan (GOA) presented its Interim National Development Strategy to the international community, which set out priorities for accelerating development, increasing security, tackling the drug trade, and strengthening governance.

***Joint Coordination Monitoring Board.*** The Afghanistan Compact established a Joint Coordination and Monitoring Board (JCMB) to include the participation of senior GOA officials appointed by the Afghan President and representatives of the international community. The JCMB will be co-chaired by a senior GOA official appointed by the Afghan President and by the Special Representative of the UN Secretary General for Afghanistan. The U.S. has supported the formation of the JCMB to create a mechanism for unified reporting and monitoring across donors in order to track progress against the benchmarks set in the Afghanistan Compact.

***Afghanistan Reconstruction Trust Fund.*** The Afghanistan Reconstruction Trust Fund (ARTF) provides a mechanism for coordinated funding of reconstruction activities in line with agreed priorities of the Government. The ARTF is designed to promote transparency, help reinforce the national budget to align the reconstruction program with national objectives, help fund recurrent budgetary expenditures, and provide a convenient mechanism for donors to fund priority investments.

***Case Study: Interagency Coordination and Response in Haiti***

As of mid 2005, a year and several months after President Jean-Bertrand Aristide's resignation as President and the subsequent establishment of the Interim Government of Haiti and the UN Stabilization Mission in Haiti (MINUSTAH), signs of backsliding and fragility alarmed senior Department of State officials. Concerned with the deteriorating security situation that threatened to jeopardize the scheduled elections, a robust interagency response was mobilized, applying the whole of government approaches developed by the newly established State Department Office of the Coordinator for Reconstruction and Stabilization (S/CRS), via three main efforts.

In March 2005, the Bureau of Western Hemisphere Affairs (WHA) chaired an interagency group that developed a 90-day action plan to coordinate U.S. efforts to stabilize the situation in Haiti. This plan focused on improving security, laying the groundwork for free and fair elections, and promoting economic growth. In July, WHA enlisted S/CRS to broaden the strategic planning process for the various agencies engaged on Haiti, asking the question, "What would it take to transform conflict and achieve a stable democratic government committed to Haiti's economic recovery?"

Second, and simultaneously, WHA, the U.S. Mission to the United Nations, with support from S/CRS, engaged the UN, France, Argentina, Brazil, Chile and Canada to reinvigorate the UN Core Group on Haiti to further the agenda of credible, timely elections and a peaceful transition. Using such tools as scenario planning, U.S. and international partners addressed the immediate security and election challenges as well as longer term post election planning.

Third, to buttress assistance with diplomacy, the U.S. Government began a series of frequent, high level trips to Haiti to press for elections within acceptable parameters, and to reaffirm U.S. commitment to the democratic process and long-term development in a post-election, democratic Haiti.

Successful national elections took place on February 7, and April 21, 2006, with Haitians turning out in large numbers to vote, demonstrating their commitment to democracy. The U.S. civilian interagency is now implementing coordinated U.S. interagency plans to support Haitian authorities as they assume office. These plans focus on assisting the new administration in rapidly meeting citizen expectations of security, reconstruction and governance during their first days in office, and working closely with international partners.

## **B. Governing Justly and Democratically**

U.S. assistance programs aim to promote and strengthen effective democracies in recipient states. The key program areas are:

- Promote the rule of law and human rights through programs that strengthen constitutions, laws and legal institutions; that support judicial independence; and that promote human rights.

- Support good governance through programs that improve legislative function and processes, strengthen the public sector executive function, support local government and decentralization, encourage anticorruption reforms, and improve governance of the security sector.
- Foster political competition and consensus-building through elections and political processes; and the formation of accountable and representative political parties.
- Strengthen civil society by building capacity and supporting freedom of information, including the media.

## **1. Legislative Mandate and Authorities**

USAID has a broad legal mandate with respect to the development and implementation of democracy and governance programs in the areas of rule of law, elections and political processes, civil society and governance. The two primary legal authorities for USAID democracy and governance activities are Section 116(e) of the Foreign Assistance Act of 1961 (the FAA), 22 U.S.C. 2151n(e), and Section 133 of the FAA, 22 U.S.C. 2152c<sup>4</sup>.

In addition, the International Anticorruption and Good Governance Act of 2000 (IAGGA) signed into law as part of Public Law 106-309 on October 17, 2000, has as a purpose “to ensure that United States assistance programs promote good governance by assisting other countries to combat corruption throughout society and to improve transparency and accountability at all levels of government and throughout the private sector.” (IAGGA, Section 202(b)).

Another broad authority is found in Section 534 of the FAA, 22 U.S.C. 2346c, which must be read in conjunction with Section 536 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004 (P.L. 108-199). Section 534 of the FAA authorizes USAID to carry out activities to strengthen the administration of justice, including those to support legal and judicial training.

USAID also has additional legal authorities for particular areas. For example, Section 498 of the FAA, 22 U.S.C. 2295, authorizes assistance to the independent states of the former Soviet Union for, among other things, activities aimed at establishing a democratic and free society. Additionally, Section 499D of the FAA, 22 U.S.C. 2296d, authorizes activities to promote institutions of democratic government and to create the conditions for the growth of pluralistic societies in the countries of the south Caucasus and Central Asia.

The State Department’s Bureau of Democracy, Human Rights and Labor conducts activities in the four democracy and governance areas via the Human Rights and Democracy Fund. The legal authority for managing the development and implementation

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<sup>4</sup> Section 116(e) of the FAA specifically authorizes programs and activities which will encourage or promote increased adherence to civil and political rights, including the right to free religious belief and practice consistent with the Universal Declaration of Human Rights. Section 133 of the FAA authorizes programs that combat corruption, improve transparency and accountability, and promote other forms of good governance.

of these funds is the Democracy Fund of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006 (P.L. 109-102).

## **2. Major Strategic Interventions and Initiatives**

President Bush's second inaugural address in January 2005 set the policy context for democracy.

*“The survival of liberty in our land increasingly depends on the success of liberty in other lands. The best hope for peace in our world is the expansion of freedom in the entire world. America's vital interests and our deepest beliefs are now one. Across the generations we have proclaimed the imperative of self-government, because no one is fit to be a master, and no one deserves to be a slave. Advancing these ideas is the mission that created our nation. Now it is the urgent requirement of our nation's security, and the calling of our time. So it is the policy of the United States to seek and support the growth of democratic movements in every nation and culture, with the ultimate goal of ending tyranny in our world.”*

Development had already been included in the 2002 articulation of the National Security Strategy of the United States alongside diplomacy and defense. The 2006 NSS further strengthened the role of democracy.

In 2002, President Bush established a special initiative for the Middle East: the Middle East Partnership Initiative (MEPI). Located in the Bureau for the Near East in the Department of State, MEPI has four pillars: the political pillar; the economic pillar; the education pillar; and the women's pillar (which includes its own women-in-democracy focus to increase the level of women's participation in building democratic pluralistic societies, through both political representation and civil society strengthening). MEPI has received approximately \$400 million since 2002 for this special initiative. Of this, \$88.5 million is programmed to support political reform. The political pillar consists of four program areas: elections and political processes; civil society and reform advocacy; media; and rule of law. Since its inception, MEPI has set in motion programs in the four pillars in 15 countries of the Middle East and in the Palestinian territories.

In 2004 President Bush began what would become the United Nations Democracy Fund (UNDEF). The initial U.S. pledge of \$10 million was soon matched by \$39 million from an additional 16 countries. UNDEF was officially established by the Secretary-General in 2005 as an integral part of the U.N. reform process. In 2006, the U.S. announced an additional pledge of \$7.9 million, further strengthening our commitment to the Fund.

Beginning in the fall of 2005, President Bush asked the National Security Council to convene a government-wide working group to develop a “Freedom Agenda.” This new initiative identifies a number of countries of special concern, reviews our democracy assistance activities in those countries, and reconfigures them if necessary. The initiative is on-going and has resulted in a more targeted approach to democracy programming along the lines of the four program areas addressed above.

The U.S. is one of the founding members of the Convening Group of the Community of Democracies. The foreign ministers of over 100 countries convene bi-annually to review policies and programs designed to advance democracy. The United States remains active on the Convening Group and supports the Community's projects between the bi-annual meetings. These multilateral projects are tangible evidence of the Community's commitment to extending and strengthening democracy globally. The United States has taken a very active role in supporting this global initiative over the years since its establishment.

### **3. Implementing Agencies**

The U.S. effort to promote and build democracy and good governance is implemented by a range of official U.S. departments and independent agencies. A variety of mechanisms exist to draw together the whole spectrum of U.S. government expertise and resources. The Department of State and USAID work with the Departments of Justice, Treasury, Commerce, Homeland Security, and Agriculture as well as the Millennium Challenge Corporation and the Board for International Broadcasting in promoting the President's Freedom Agenda. The Department of Defense also makes significant contributions, particularly in the area of rule of law and security.

The United States collaborates with international governmental institutions, including the United Nations, international financial institutions and other specialized agencies, such as the United Nations Development Program and the International Organization for Migration as well as regional organizations such as the Organization of American States, the African Union and the Organization for Security and Cooperation in Europe.

Within USAID, the Office of Democracy and Governance coordinates the overall Agency effort to implement effective democracy promotion and democracy building programs throughout the developing world. The Office includes divisions for Rule of Law, Elections and Political Processes, Civil Society, Governance, Strategy, and Crisis Response, each serving as a "reach-back" resource for the numerous field-based democracy programs.

The specialists in each division represent USAID within the inter-agency community of the U.S. government, and often within the international donor community. The Office of Democracy and Governance provides technical advisory services to field programs, manages contracts and grants on behalf of the Agency, and contributes actively to the intellectual development of the field of democracy development.

The U.S. policy of promoting effective democracy, human rights, religious freedom, and worker rights requires strong partnerships with local counterparts. Effective and sustainable programs are rooted in the society in which they are carried out. Through technical assistance, training, material support and other assistance, the U.S. develops partnerships with host country institutions including national and local governments,

nongovernmental organizations, academic institutions, the private sector, media, labor, think-tanks and professional associations.

A broad range of national and international nongovernmental organizations, advocacy groups and companies play a vital role in the U.S. effort to promote and build democracy abroad. Of particular note is the National Endowment for Democracy (NED), created by Congress in 1983, a nongovernmental organization that receives an annual appropriation from the U.S. Congress. In addition to its own grant-making function, the NED supports the work of its core institutes: the International Republican Institute, the National Democratic Institute for International Affairs, the Center for International Private Enterprise, and the American Center for International Labor Solidarity. These institutes also receive funding from the Department of State and USAID to carry out democracy promotion programs abroad.

#### **4. Managing for Results**

USAID collects program and budget information on an annual basis for a variety of purposes, including the Congressional Budget Justification (CBJ), the Performance and Accountability Report (PAR), and the Annual Budget Submission (ABS), which includes performance data required by the Office of Management and Budget (OMB). To improve reporting, common “program components” were recently introduced that are the “building blocks” of the programs that USAID carries out. As of fiscal year 2005, program components are standard across all operating units including USAID overseas missions.

Of approximately 40 program components, 11 pertain primarily to democracy and governance. They are:

1. Strengthen the Justice Sector
2. Protect Human Rights
3. Strengthen the Legislative Function/Legal Framework
4. Strengthen Public Sector Executive Function
5. Support Democratic Local Government and Decentralization
6. Promote and Support Anticorruption Reforms
7. Promote Effective and Democratic Governance of the Security Sector
8. Promote and Support Credible Elections Processes
9. Strengthen Democratic Political Parties
10. Strengthen Civil Society
11. Establish and Ensure Media Freedom and Freedom of Information

Program components have a set of common indicators to facilitate USAID’s performance management and reporting. Each program component has at least one common indicator. The primary purpose of the common indicators is to tell a single and consistent story. They are intended to be associated with U.S. programs over a multi-year period and aggregated across countries and regions to tell a cogent story to Congress and the general public. They are not a substitute performance management tool.

### ***Case Study: The Rose Revolution - Georgia***

The peaceful protests of the November 2003 Rose Revolution against election fraud ultimately brought down Georgia's ailing Shevardnadze government and ushered in the new, reform minded government of Mikheil Saakashvili. U.S. assistance to Georgia's nongovernmental organizations, independent media, and elections helped strengthen the local actors who were instrumental in these events. However, the challenges of the past – working at the local level and supporting opposition voices – have been replaced by the much more complex task of governing. This includes helping government institutions perform adequately to secure a lasting democracy at both the national and local levels, channeling pluralism and civil society toward constructive pursuits, and ensuring the rule of law is respected and corruption is addressed.

Following the Rose Revolution, the U.S. funded a six-month rapid impact project designed to assist the new government of Georgia to strengthen coordination within the Executive Branch and enhance the government's ability to develop and implement policy. Equipment and expertise are being provided to the offices of the president and prime minister to foster improved management, policy formulation and prioritization, information sharing, consultation with parliament, and new accountability standards for resources entrusted to the offices.

In order to increase respect for and strengthen the rule of law, U.S. activities seek to raise awareness of legal rights, promote citizen's rights, improve the legal profession, and strengthen an independent judiciary. Implementing partners assist the judiciary with structural reforms. The prominent Georgian NGO, Georgian Young Lawyer's Association, undertakes numerous activities designed to successfully implement the Administrative Code and its Freedom of Information clause, provide free legal consultations for the public, and increase citizen awareness of their constitutional rights through a successful public education campaign.

### **C. Investing in People**

U.S. assistance programs help nations achieve sustainable impacts on the well-being and productivity of their populations through investments in education, health, other social services, and the environment. The key program areas are:

- Improving health through programs addressing HIV/AIDS, tuberculosis, malaria, avian influenza, other public health threats, maternal and child health, and family planning and reproductive health.
- Protecting the environment through programs that support biodiversity and natural resources; promote clean water and sanitation; and discourage sources of environmental risks and pollution.
- Promoting education through programs that support widespread access to quality basic education, higher education and workforce development.

- Supporting social and economic services and safety nets for vulnerable individuals.

People are both the most important development resource available to a country and the ultimate object of that development. Investing in people, therefore, is a major objective of U.S. development policy. Health and education are the most important components of building human capital, but there are other dimensions as well such as gender equality, poverty reduction and access to opportunity, protecting the environment for future generations, and others.

The Millennium Development Goals (MDGs) are focused on monitoring the impact of development on people (poverty, health, education, environment, female empowerment). Historically, they reflected a concern in the mid-1990s with development that meant improved lives for the world's poor.

The President has launched a number of important initiatives directly related to investing in people. Some of these initiatives are listed below (and further described in the Status of Presidential Initiatives FY 2004 publication.)

- African Education Initiative
- Centers for Excellence in Teacher Training
- Global Climate Change
- Global Fund to Fight AIDS, Tuberculosis, and Malaria
- Initiative to End Hunger in Africa
- International Mother and Child HIV Prevention Initiative
- International Partnership on Avian and Pandemic Influenza
- President's Emergency Plan for AIDS Relief (PEPFAR)
- President's Initiative Against Illegal Logging
- President's Malaria Initiative
- Trafficking in Persons
- Volunteers for Prosperity
- Women's Justice and Empowerment In Africa
- Water for the Poor Initiative

We will describe below two components of the U.S. programs for investing in people – health and education. It is worth noting that in this area of building and protecting human capital, U.S. assistance efforts are largely organized around presidential initiatives and driven by congressional earmarks. This approach has the advantage of establishing clear objectives and targets and strengthens results-based management. These programs can often demonstrate clear, positive impact in the field, which reinforces the strong political support for these programs that impact directly on the lives of people.

In addition, as the narrative below demonstrates, these initiatives are also characterized by strengthened inter-agency coordination. Most of these programs have been associated with multi-donor efforts originating in the Group of Eight process, United Nations summits, or other multilateral programs. These initiatives include both new money and

ongoing programs, and have widely different scopes, but they share a common concept of how to mobilize the full resources of the U.S. Government behind high priority global issues.

The education discussion demonstrates that programs that are driven by global initiatives are not incompatible with either country ownership or adaptation to country conditions. The initiative may indeed focus and consolidate political support and improve both U.S. Government and international coordination consistent with country planning. Many aspects of health and education, not to mention the environment and other components, have strong transnational elements: spill-over effects, returns to scale and specialization, and information dissemination. Regional and global initiatives can provide an important building block in establishing networks, diverse institutional arrangements, and technology transfer.

## **1. Global Health**

Comprising approximately 25 percent of the U.S. Government assistance budget for Social Infrastructure and Services, health programs provide a good example of the structure of U.S. investments in people. Country programs tend to emerge from globally defined and funded initiatives, involve strong interagency coordination, and require considerable interaction between central technical offices and field missions to design and implement programs.

Investing in the health of populations in the developing world contributes to global economic growth, poverty reduction, strengthened governance and civil society, a sustainable environment, and regional security. Because infectious diseases know no border, a robust global public health system directly affects health in all regions of the world. Expansion of basic health services and strengthening national health systems are key investments that significantly improve people's health, especially that of women, children, and other vulnerable populations. These investments contribute to transformational development and the stabilization of fragile states.

The United States works to eliminate HIV/AIDS, tuberculosis, and other infectious diseases that continue to threaten the health of families and children in developing countries worldwide. A major new focus of this work is the President's Malaria Initiative, which will accelerate the fight against malaria, a major killer of children in sub-Saharan Africa. In addition, emphasis is being placed on responding internationally to the threat of avian influenza.

The United States will continue to scale up proven interventions that respond effectively and efficiently to the largest public health challenges, and will develop key life-saving technologies for the future. Programs will continue to emphasize quality assurance in health care delivery, cutting waste and inefficiency, strengthening strategic planning and management systems, and developing host-country capacities.

In fiscal year 2006, USAID is providing \$1.585 billion in health program funding through the Child Survival and Health (CSH) Account. An additional \$1.721 billion for HIV/AIDS funding is managed by the State Department's Office of the Global AIDS Coordinator (OGAC) and \$472 million is managed by the U.S. Centers for Disease Control and Prevention (CDC). The U.S. is also providing \$279.5 million for international avian influenza programs. Together, this represents over \$4 billion in U.S. funding for international health programs.

Important areas of assistance include:

- *Infectious Diseases programs* (USAID: \$351 million) focus on the prevention and control of malaria, tuberculosis, avian influenza, and programs to combat anti-microbial resistance and disease surveillance. Country-level expansion and strengthening of the Directly Observed Treatment Short-course (DOTS) strategy will continue to be the focal point of USAID's tuberculosis program. USAID will increase human resources to support DOTS implementation, continue contributing to partnerships to address the challenges of multi-drug resistant TB and TB/HIV co-infection, and engage the private sector in DOTS. A new focus this year is on neglected diseases, including onchocerciasis, schistosomiasis, and guinea worm.
- *Child Survival and Maternal Health programs* (USAID: \$360 million; CDC: \$144 million) are designed to create and sustain systems and services that will reduce the number of deaths in children under the age of five and save the lives of women from pregnancy-related causes. About 7 million of the nearly 11 million annual child deaths are preventable simply by extending coverage of proven interventions, which have always been at the core of USAID's child survival program. These interventions include immunization, pneumonia and diarrhea prevention and treatment (including oral rehydration), polio eradication (including \$144 million from CDC and \$32 million from USAID), micronutrient supplementation, safe birthing and antenatal care, improved child feeding including breastfeeding, and vaccinations. In addition, CDC provides \$43 million for the measles vaccine program. USAID is also working to revitalize nutrition efforts, including food fortification and food security, by making nutrition a fundamental component of all child survival and maternal health programs.
- *Family Planning and Reproductive Health programs* (USAID: \$375 million) will help to support access to information, commodities, and services for family planning. Such access will reduce unintended pregnancies, improve maternal, infant, and child health, reduce infant and child mortality, decrease maternal deaths associated with pregnancy, and reduce abortion. Programs also contribute to slowing population growth which can help reduce pressures on natural resources and strains on national economies. These programs are integrated with other basic health programs and services. Attention is being given to shifting funding strategically to countries with highest need and to graduating countries with mature and sustainable programs.

- *Vulnerable Children programs* (USAID: \$30 million) will continue to support the Displaced Children and Orphans Fund (DCOF) which strengthens the capacity of families and communities to provide care, support, and protection for orphans, street children, and war-affected children. This funding is in addition to significant support provided to orphans and vulnerable children under PEPFAR.
- The United States is also the largest single-country donor to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) with more than \$1.897 billion in contributions to date, including almost \$402 million for fiscal year 2006.

As the U.S. Government has increased resources for global health, it has developed a division of labor and coordination among agencies to improve effectiveness. PEPFAR, PMI, and the U.S. Government international response to avian and pandemic influenza are prime examples.

### *Case Study: President's Emergency Plan for AIDS Relief*

The U.S. government has made fighting HIV/AIDS a top priority, not only for humanitarian reasons, but because the HIV/AIDS crisis threatens the prosperity, stability, and development of nations around the world. More than 38.6 million people are living with HIV today and the pandemic continues to spread, especially in developing countries. An estimated 5 million new infections occur each year, and no means of cure is available or anticipated. The United States believes that only a vigorous and comprehensive prevention approach will turn the tide against the global HIV/AIDS pandemic.

In January 2003, the President launched the five-year, \$15 billion President's Emergency Plan for AIDS Relief (PEPFAR) as "the largest international health initiative in history by a government dedicated to a single disease." The \$15 billion includes: \$9 billion in additional funding for 15 focus countries; \$5 billion in existing funding in 108 other countries; and \$1 billion in additional funding for the Global Fund. PEPFAR is housed in the Office of the Global AIDS Coordinator (OGAC) at the Department of State. Participating U.S. Government agencies under PEPFAR include: Department of State, USAID, Department of Health and Human Services (HHS) and the Centers for Disease Control and Prevention (CDC), Department of Labor, Department of Defense (DOD), Department of Commerce, and the Peace Corps. The 15 focus countries include 12 in Africa (Botswana, Côte d'Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia), and Guyana, Haiti, and Vietnam.

The authorities of the Global AIDS Coordinator are typical of the management structure of major presidential initiatives and are designed to deal with problems of coherence and results management. The AIDS Coordinator:

- Leads the U.S. Government's international HIV/AIDS efforts;

- Ensures program and policy coordination among the relevant U.S. Government agencies and nongovernmental organizations (NGOs), avoiding duplication of effort;
- Pursues coordination with other countries and international organizations;
- Resolves policy, program, and funding disputes among the relevant U.S. Government agencies and departments;
- Directly approves all U.S. Government activities relating to combating HIV/AIDS in the 15 focus countries; and
- Promotes program accountability and monitors progress toward meeting PEPFAR's goals.

In December 2005, OGAC announced that, as of end-September 2005, PEPFAR had supported antiretroviral (ARV) treatment for more than 400,000 people in the 15 focus countries (more than 395,000 people in sub-Saharan Africa). OGAC also announced that by end-March 2006, PEPFAR had supported care for more than 2 million people infected and affected by HIV/AIDS, including OVCs – already surpassing the previous goal of 1.1 million by end-June 2005 – and supported HIV counseling and testing (HCT) services for more than 3.5 million people. OGAC also noted that more than 80 percent of the partners under PEPFAR were indigenous organizations. (For more information: [www.state.gov/s/gac](http://www.state.gov/s/gac).)

### *Case Study: President's Malaria Initiative*

Every year, malaria kills more than 1 million people, primarily children. More than 90 percent of malaria illnesses and deaths occur in sub-Saharan Africa, where one African child dies of malaria every 30 seconds. Malaria is both a disease of poverty and a disease that causes poverty. It has been estimated that malaria retards economic growth in Africa by one-third when compared with nonmalarious areas – a total of \$12 billion per year lost for the continent.

On June 30, 2005, the President launched the five-year, \$1.2 billion President's Malaria Initiative (PMI). The goal of the PMI is to reduce malaria-related mortality by 50 percent in each target country by achieving 85 percent coverage of the most vulnerable groups – children under five years of age and pregnant women – with proven preventive and therapeutic interventions. The PMI eventually will benefit 175 million people in 15 or more countries (Angola, Tanzania, and Uganda are the three first-year target countries.) Participating U.S. Government agencies under the PMI include: USAID, HHS, Department of Defense (DOD), and Department of State. The \$1.2 billion is in addition to \$200 million in existing funding.

The PMI is housed at USAID as the PMI lead agency. The PMI Coordinator has direct authority over both PMI and USAID non-PMI malaria programs and policy. The USAID Assistant Administrator for Global Health serves as acting PMI Coordinator. The authorities, roles, and responsibilities of the PMI Coordinator, like those of the HIV Coordinator, are broad and extend into the inter-agency process. They include:

- All malaria policies, planning, and budgeting;
- Direct supervision over, and hiring authority for, all USAID/Washington malaria staff;
- All malaria budget allocations to bureaus and countries, as well as malaria staffing levels;
- Approval of all malaria-related acquisition and assistance (A&A) plans, with the authority to approve or disapprove any proposed malaria-related A&A action or obligations within countries and by USAID Bureaus, subject to governing laws and procurement regulations;
- Approval of all malaria-related M&E and reporting requirements, with the authority to approve or disapprove any specific malaria-related M&E and reporting plans;
- Approval of all direct hire and non-direct hire travel to countries for malaria programs, regardless of the funding source;
- All malaria-related communication and outreach strategies and activities, in cooperation with the USAID Bureau for Legislative and Public Affairs (LPA);
- Lead representation at all international malaria prevention and treatment fora and meetings, including those sponsored by Roll Back Malaria (RBM), the World Bank, the World Health Organization (WHO), and the U.N. Children's Fund (UNICEF);
- Consultation and close work with USAID Bureaus and Missions on policy, programming, and budget matters affecting the implementation of the program (the USAID Africa Bureau will be the main implementing entity for the PMI and a majority of non-PMI programs); and
- Approval of all USAID non-PMI country and regional malaria allocations beginning in fiscal year 2006.

By end-August 2006, the PMI will have supported activities benefiting about 1.7 million people in the three first-year target countries and launch programs to benefit another 4 million people. The results in Angola are illustrative and include:

- Training of 210 spray personnel to provide coverage of about 555,000 people with Indoor Residual Spraying (IRS);
- Distribution of about 60,000 free Long-Lasting Insecticide Treated Nets (LLITNs) covering about 96,000 people;
- Gift of \$1 million from ExxonMobil Foundation to USAID to directly support PMI activities; and
- Distribution of 830,000 LLITNs to about 130,000 pregnant women and another 700,000 households as part of a combined nationwide measles vaccination-ITN distribution campaign.

For more information, the PMI website is at [www.fightingmalaria.gov](http://www.fightingmalaria.gov).

***Case Study: U.S. Government Response to Avian and Pandemic Influenza***

Since its emergence in Southeast Asia in 2003, avian influenza has swept across Asia, Europe and Eurasia, and Africa. Between February and April 2006, the number of countries reporting H5N1 in animals was more than double the number of countries reporting cases between 2003 and 2005. As of September 19, 2006, at least 247 human cases of H5N1 had been confirmed, with 144 fatalities, in 10 countries in Europe, Asia, and Africa.

Because of the rapid spread of the virus, there is growing concern it could develop into a global human pandemic with the potential to kill millions. Moreover, the World Bank estimates a severe pandemic could cost up to \$2 trillion globally, threatening economic growth and efforts to promote sustainable development.

In September 2005, the President announced the International Partnership on Avian and Pandemic Influenza (IPAPI). IPAPI brings together key nations and international organizations to improve global readiness by:

- Elevating the issue on national agendas;
- Coordinating efforts among donor and affected nations;
- Mobilizing and leveraging resources;
- Increasing transparency in disease reporting and surveillance; and
- Building capacity to identify, contain, and respond to a pandemic influenza.

Participating agencies under the U.S. Government international response to avian and pandemic influenza include: Department of State (lead organization), USAID, HHS, Department of Agriculture (USDA), Department of Homeland Security (DHS), Department of Transportation (DOT), DOD, Department of the Treasury, and Department of Commerce. IPAPI partners have endorsed a core set of principles that demonstrate how the interagency initiatives can quickly bring about policy and program coherence within the U.S. Government. These principles serve to enhance preparedness, prevention, response, and containment activities and include:

- International cooperation to protect the lives and health of their people;
- Timely and sustained high-level global political leadership;
- Transparency in reporting of human and animal influenza strains with pandemic potential in order to increase understanding, preparedness, and especially to ensure rapid and timely response to potential outbreaks;
- Immediate sharing of epidemiological data and samples with WHO and the international community to detect and characterize the nature and evolution of any outbreaks as quickly as possible by utilizing, where appropriate, existing networks and mechanisms;
- Rapid reaction to address the first signs of accelerated transmission of H5N1 and other highly pathogenic influenza strains so that appropriate international and national resources can be brought to bear;
- Prevention and containment of an incipient epidemic through capacity building and in-country collaboration with international partners;

- Work in a manner complementary to and supportive of key multilateral organizations (WHO, Food and Agriculture Organization (FAO), and World Organization for Animal Health (OIE));
- Timely coordination of bilateral and multilateral resource allocations, dedication of domestic resources (human and financial), improvements in public awareness, and development of economic and trade contingency plans;
- Increased coordination and harmonization of preparedness, prevention, response, and containment activities among nations, complementing domestic and regional preparedness initiatives, and encouraging, where appropriate, the development of strategic regional initiatives; and
- Actions based on the best available science.

In November 2005, the President released the U.S. National Strategy for Pandemic Influenza. The purpose of the National Strategy is to guide U.S. preparedness and response to an influenza pandemic and to provide a framework for future U.S. Government planning efforts that is consistent with the National Security Strategy and the National Strategy for Homeland Security – a direct effect of the integration of development activities into U.S. security planning.

In March 2006, the Department of State named a Special Representative on Avian and Pandemic Influenza and head of the Avian Influenza Action Group (AIAG) charged with executing the mission of the Department of State under the National Strategy for Pandemic Influenza. The Special Representative reports to the Under Secretary of State for Democracy and Global Affairs, who has the lead for the U.S. Government on the international aspects of avian influenza.

In January 2006 at the Conference on Avian and Human Influenza in Beijing, the United States pledged \$334 million. As of April 30, 2006, USAID had obligated \$52.7 million in assistance and grants to 46 affected and at-risk countries, in addition to WHO, FAO, private-sector partners and for pandemic preparedness and response. By June 2006, USAID will obligate another \$101 million in fiscal year 2005 reprogrammed and supplemental funding and fiscal year 2006 supplemental funding.

For more information, the U.S. Government avian and pandemic influenza website is at [www.pandemicflu.gov](http://www.pandemicflu.gov).

## **2. Education**

The ability to read and write — or literacy — is a basic skill for people to live and work in today's world. Yet more than 900 million adults are not literate, primarily in developing countries. More than 125 million children who should be in school are not.

Competitive economies require workers to be able to learn advanced and changing concepts of science and technology, law and governance, and business and on a continuous basis. Without sound conceptual and technical skills acquired in secondary

schools, community colleges, and universities, youth in developing countries will be unable to be as productive and as innovative as they could – and should be.

At the 2002 Kananaskis Summit, the United States and other member nations of the Group of Eight (G8) agreed that principles of self-help and ownership, as defined in the Monterrey Consensus, apply to support for educational development. Accordingly, the U.S. increasingly focuses its resources on countries with the greatest need and strongest commitment to education. Within basic education, U.S. resources are directed towards those educational programs that will result in the greatest economic, social and developmental returns.

The U.S. Government has several agencies that work in developing countries to solve educational problems. Each has its own role and mission:

- **USAID** is the primary provider of development assistance in basic education and works to institutionalize education reforms as part of a comprehensive U.S. foreign assistance strategy;
- **The Department of State** has traditionally focused on diplomacy and political issues, often at the regional level. It also implements training or exchange programs (e.g., the Fulbright program for teachers) or civic education programs. More recently, the Middle East Partnership Initiative (MEPI) has engaged in significant basic education programming on a regional basis;
- **The Peace Corps** provides volunteers to work at the local level with host country government agencies, nongovernmental organizations and communities on projects that improve the quality of life and access to education, promote sustainable development at the grassroots level, and enhance cross-cultural understanding;
- **The Department of Labor** concentrates on identifying abusive child labor practices overseas and helps local governments take corrective action in order to help affected children resume normal lives and return to school;
- **The Department of Agriculture** provides food assistance to students overseas and, in some cases, facilitates the sale of food commodities to support basic education programs in communities; and,
- **The Department of Education** does limited programming in international basic education but represents the U.S. government on some issues internationally, such as representing the United States at the United Nations Education, Scientific, and Cultural Organization (UNESCO).

Coordination among U.S. agencies takes place in a variety of ways in response to global, regional and country level issues and events. At the country level, the Monterrey Consensus and Education for All movement have reinforced the importance of country-owned plans and strategies as the basis for coordinated donor assistance. U.S.-funded education programs are initially developed through consultations with host country ministers as well as other donors and stakeholders.

Strategic coordination among U.S. agencies is organized through U.S. Embassy Country Team meetings. The Chief of Mission/Ambassador is the head of the Country Team and team meetings are held regularly to exchange information among high level U.S. government employees. In Washington, coordination is broader in scope and agencies are able to share information and plans and concentrate on areas of mutual interest to determine program impact. Regional coordination is typically focused on specific regional initiatives.

### **3. Global Level Coordination**

At the broadest level, coordination is required to support U.S. Government policy in support of the global Dakar framework for Education for All (EFA). The Department of State, USAID, National Security Council (NSC), Department of Education, Department of Labor, Department of Treasury, and the U.S. Executive Director's Office at the World Bank have coordinated on U.S. policy on EFA as well as the Fast Track Initiative; U.S. participation in UNESCO; and education agendas in G8 meetings. The Department of Agriculture and Peace Corps have also coordinated with the Department of State or USAID on various global education issues.

The Joint Management Council and Joint Policy Council improve inter-agency coordination. U.S. education programs are generally implemented within a decentralized approach that emphasizes coordination at the country level. As a result, program activities and coordination are grounded in pragmatic needs at the country level, including the need to minimize unnecessary administrative costs.

### **4. Country Level Coordination**

Most coordination, appropriately, takes place at the country level. In countries where more than one U.S. government agency is supporting basic education activities, there is generally an education working group to review the most effective technical and geographic use of funds. Administratively, the working groups consist of individuals responsible for the education portfolio for their agency. USAID is generally represented by mission education officers. Embassy interests are represented by staff from the Public Affairs Office. In addition, there may be participation by other agencies such as DOL working on child labor issues.

A significant breakthrough for coordination has resulted from the DAC Agreement on Aid Effectiveness, the Monterrey Consensus, the Education for All Movement, and G8 emphasis on country-owned plans and strategies. Broad acceptance of this approach is changing the way donors and host governments operate.

In Honduras, for example, all education donors, including the United States, participate in a sector-wide approach combining project and program assistance to support a government-owned education plan. Coordination has also been formalized through a memorandum of understanding between donors and local governments that includes broad sharing of all USAID periodic progress reports.

In Mali, for example, local government provides leadership for education activities, thus providing coordination among participating agencies. Meetings are held regularly, chaired by the president of the Technical and Financial Partners Group and the minister's representative. Donors serve as the group's president on a rotating basis; USAID held the position from May 2002 to February 2003. The group also includes committees that work on various technical issues including educational quality and access, financial administration and decentralization, and non-formal education.

Within the U.S. Mission, Mission Performance Plans (MPPs) provide another opportunity for coordinating education sector activities. Representatives from the U.S. Country Team meet to develop MPPs and other joint documents, as well as to discuss program strategies, designs, and implementation. MPP preparation is particularly important when new activities are being planned.

In Indonesia, for example, USAID and Public Affairs staff from the U.S. Embassy have collaborated on an ongoing basis on an Education Strategy under the new Presidential Initiative for Education. In addition, the Ambassador has been actively involved in developing a strategy for using education funds.

## **5. Regional Level Coordination**

Strategic coordination takes place on a regional level on an ongoing basis. Most regional bureaus of USAID maintain close contact with a variety of U.S. and international development assistance and/or lending organizations. For example, the Bureau for Latin America and the Caribbean works very closely with the Department of State's Bureau for Western Hemispheric Affairs (WHA) and the National Security Council (NSC) to develop and implement education programs that have a substantial developmental impact.

The President announced the formation of the Centers of Excellence for Teacher Training at the Summit of the Americas in Quebec in April, 2001. An inter-agency task force guided the development of the program. Collaboration also occurs among the Departments of Education and State as well as NSC and USAID on a variety of education-related issues. USAID regularly consults with the World Bank and the Inter-American Development Bank (IDB) on the design of education interventions in specific countries.

The regional Africa Education Initiative, implemented through the USAID Africa Bureau, has an Interagency Steering Committee, co-chaired by the NSC and USAID, which includes various U.S. agencies. The Committee meets quarterly, and maintains regular communication on issues of interest to the U.S. foreign policy agenda. Additionally, there is intra-agency and interagency coordination on Muslim education and counterterrorism activities.

Similarly, for the Asia/Near East region the Department of State's Near East/Asia (NEA) Bureau and USAID's Asia/Near East (ANE) Bureau use both formal and informal coordination mechanisms to discuss education policy and programming. At the Department of State, Policy Coordination Committees are normally established on specific country issues that require interagency coordination and meetings.

Coordination between USAID's Bureau for Europe and Eurasia and the Department of State has a unique character because the primary resources for USAID's Bureau come from the Department of State's Support for East European Democracy (SEED) and FREEDOM Support Act (FSA) funding. The Bureau also utilizes Economic Support Funds for programs in Cyprus, Ireland, and Turkey. By congressional mandate, the State Department's Assistance Coordinator for Europe and Eurasia (EUR/ACE) determines how the SEED and FSA funds are distributed among U.S. agencies to achieve assistance goals. USAID allocates approximately two-thirds of the funds. Because of the close relationship between USAID and the State Department through EUR/ACE, for many years coordination has run very smoothly.

The USAID Europe and Eurasia Bureau and the Department of State EUR/ACE meet weekly to discuss matters of mutual concern. Both agencies participate in country assistance, strategy and program reviews that cover all U.S. assistance programs. USAID and the EUR/ACE Coordinator's Office take part in budget reviews to ensure efficient use of resources. USAID contributes major portions of the annual congressional performance reports on SEED and FSA programs compiled by the Coordinator's Office, and the Coordinator's Office reviews USAID's Congressional Budget Justification and Annual Reports compiled by the Bureau for Europe and Eurasia. The Department of State encourages coordination in the field by requiring embassies and USAID Missions to submit joint budget proposals for SEED and FSA funds. The Department of State also encourages USAID Missions to participate actively in developing goals and performance indicators for the Mission Performance Plan.

#### **D. Economic Growth**

U.S. assistance programs help generate economic growth that is rapid, sustained, and broadly based. The key program areas include:

- Strengthening fiscal and monetary policies.
- Expanding trade and investment by strengthening the private sector.
- Improving financial sector performance and expanding the range and reach of financial services.
- Expanding a more effective infrastructure, including energy, water and sanitation, communications and transport.
- Improving agricultural productivity.
- Enhancing private sector competitiveness and productivity.
- Improving access to economic opportunity for the poor, women, and other disadvantaged groups through financial markets, economic law, property rights, and small and micro enterprises.

The 2002 United Nations Financing for Development Conference in Monterrey, Mexico, recognized that sustained growth is necessary for sustained poverty reduction. It was also recognized that domestic savings and investment, foreign investment, remittances, and trade had to drive the growth process.

Official Development Assistance (ODA) can be a powerful catalyst and has clearly been critical to poverty reduction, but ultimately ODA has to leverage and enable market flows. Monterrey also went beyond the Millennium Development Goals by recognizing the importance of good governance and sound policy in enhancing the effectiveness of both ODA and market flows. The U.S. has responded by:

- Integrating development (and ODA) more effectively into its global economic policies;
- Using aid to establish mechanisms for leveraging private flows; and,
- Establishing principles of ODA allocation that explicitly take country performance into account.

The U.S. is convinced that resource flows from private individuals and companies, as well as nongovernmental organizations, are vital to achieving long-term development goals. U.S. private flows to developing countries have outpaced official donor assistance since 1990 and this trend continues to fuel prospects for a new era of successful development. In the 1960s, official development assistance accounted for 70 percent of U.S. resource flows to developing countries, while only 30 percent were from private sources. In the first six years of the new millennium, private flows have accounted for over half of total resources from the United States to developing countries.

The private sector, not governments, must continue to be the engine that propels and sustains prosperity in the developing world. Development assistance must expand access to private flows and domestic resource mobilization.

The U.S. posits that ODA should not be viewed as a substitute for private flows, save in exceptional circumstances. Where there is demonstrated market failure, the preferred strategy would be technical assistance, institutional innovations, or reduced transaction costs. Private investment should not be crowded out and needed policy and governance reforms should not be discouraged.

Further, there is a strong commitment within U.S. assistance programs to allocate aid so large ODA increases are directed to strong local performance. This position is also endorsed in the multilateral development banks and, in particular, the U.S. positions on the International Development Association (IDA) replenishments. MCC and USAID apply performance-based criteria in allocating resources.

This performance-based approach has been greatly assisted by a growing recognition of diverse development problems. Thus, as the donor community has begun to sort out issues related to fragile states, the United States has come to understand, for example,

that programs in those environments have different immediate objectives from those in transformational states that are already on a clear growth path. In fragile environments, strong economic policy performance may not be the appropriate determinant of assistance levels or of expected results.

The same argument can be made about humanitarian assistance or global issues such as infectious diseases or human trafficking. U.S. commitment to a strong private sector and market oriented growth strategy has been strengthened by focusing on countries and where that strategy has proven successful.

## **1. Trade and Development**

The U.S. views technical assistance programs and trade capacity building (TCB) as essential components of its trade and investment policy. Sub-Saharan countries sorely need technical assistance to realize gains from the Africa Growth and Opportunity Act (AGOA) and, more generally, from World Trade Organization (WTO) participation. In July 2004, President Bush signed into law the AGOA Acceleration Act, extending authorization until 2015 and increasing technical assistance for various components of the Act.

To date, AGOA has been a measurable success, increasing two-way trade with sub-Saharan Africa and helping to diversify its export base. In 2004, U.S. exports to sub-Saharan Africa rose to \$8.6 billion, a 25 percent increase over the previous year. U.S. imports under AGOA (including preferences) were \$27 billion in 2004, an increase of 88 percent over 2003, while non-oil AGOA imports totaled \$3.5 billion, an increase of 22 percent over the previous year.

USAID is the primary U.S. agency providing development assistance to sub-Saharan Africa via its many field missions, operating roughly 29 bilateral programs and three regional programs that manage about \$2 billion annually. Many of these programs are conducted through the Presidential Initiative on Trade for African Development and Enterprise (TRADE). TRADE's principal goals are to increase the engagement of African countries in the world trading system and to stimulate and increase African exports and investment flows. The TRADE initiative helps African countries take advantage of increased opportunities with the U.S. market as provided by AGOA.

Mindful of the institutional and policy requirements that will enable developing countries to take advantage of expanding global trade, the U.S. has made a consistent effort for the past several years to dramatically increase ODA for trade capacity building, including the areas of labor and environment. In fiscal year 2005, the U.S. obligated over \$1.34 billion for this purpose, both bilaterally (e.g., through MCC and USAID) and multilaterally through the multilateral development banks, the WTO's Trade-Related Technical Assistance Plan, the Global Trust Fund and the International Trade Center, and the Integrated Framework.

Under a variety of free trade agreements for example, Central America Free Trade Agreement (CAFTA), the United States provides technical assistance to our partners. The Africa Global Competitiveness Initiative will provide \$200 million in additional resources over five years to expand African trade with the United States under AGOA. USTR and USAID have collaborated closely in these efforts. The MCC plays an increasingly important role, as the first eight MCA countries have decided to allocate roughly two-thirds of the \$1.6 billion in their MCA compacts in “aid for trade” activities.

The United States continues to stress that trade expansion and financial sector liberalization will make a significant contribution to economic growth and global poverty reduction. To this end, we continue to provide developing countries with the tools to help them maximize trade opportunities. The U.S. Office of the Trade Representative (USTR) actively pursues ambitious goals for the Doha Development Agenda (DDA) in the WTO and elsewhere. The United States remain focused on integrating developing countries into the international trading system and enabling them to benefit from global trade and investment.

To this end, trade capacity building is a core part of the U.S. strategy to enable developing countries to negotiate and implement market-opening and reform-oriented trade agreements. TCB working groups are integral elements of free trade negotiations, including, for example, the recently completed CAFTA, and the ongoing free trade negotiations with Panama, the Andean countries, the South African Customs Union (SACU), and Thailand.

The U.S. has made a particular effort to integrate its trade related assistance into trade negotiations. For the first time during the CAFTA negotiations, a Trade Capacity Building Working Group met in parallel with negotiating groups. This model has been replicated recently in negotiations with the Andean countries, with the Southern Africa Customs Union, and Thailand. We have also provided direct assistance with WTO accession to a wide variety of countries including: Nepal, Ukraine, Ethiopia, and Afghanistan.

U.S. development programs also pay particular attention to trade facilitation in order to improve customs and trade regulations. In agriculture, the U.S. has provided aid to expand export agriculture and improve competitiveness of developing nations. Specifically, the U.S. has called for aggressively reduced agricultural tariffs, export subsidies, and trade-distorting domestic support.

## 2. Leveraging Private Flows

**Development Credit Authority (DCA):** Since 1999, the U.S. has implemented partial credit guarantee projects in developing countries under its Development Credit Authority (DCA). These guarantees have increased access to credit for a wide variety of borrowers, including microenterprises, small and medium businesses, and municipalities. By sharing credit risk with local and international private financial institutions, the DCA guarantees mobilize and facilitate investment in new areas that have not been previously

served by these financial institutions. The guarantees have supported private sector investments in agriculture, housing, education, water, infrastructure, and renewable energy.

By unlocking the financial resources of local and international banks and capital markets, the guarantees encourage private financial markets in developing countries as they stimulate needed investments. The program leverages private investments at a ratio of \$25 of private sector lending for every \$1 expended by the United States. There are over 160 DCA projects across over 40 countries. Since its inception, the program has leveraged over \$1 billion in available credit at a cost of approximately \$40 million.

**Office of Global Development Alliances (GDA):** Within the GDA, the United States pursues partnerships with private firms, the faith-based community, indigenous organizations, and foundations to improve the lives and livelihoods of the poor in developing countries. In fiscal years 2002-2005, nearly 400 alliances were implemented in which \$1.4 billion in ODA leveraged \$4.6 billion in private contributions for development efforts. Although many partnerships involve private philanthropy, a growing number of them improve access for the poor to global markets with new skills, product and market development, information and business services.

An alliance with Cisco Certified Networking Academy prepares modern computer network skills – thus helping to bridge the digital divide. An alliance with the World Council of Credit Unions and Mexico's credit union network works to reduce the high transaction costs of transferring remittances from Mexican workers in the United States to their families. Starbucks markets specialty high value coffee from small producers in Rwanda, Tanzania, and Uganda. All of these programs provide the poor with access to international and domestic markets. Training, product and market development, financial services, and regulatory reforms through collaboration with international partners are examples of current efforts.

GDA is a flexible approach and can be swiftly targeted to fast-paced global events such as the recent South Asian tsunami. The United States partnered with more private sector and nongovernmental organizations to help channel ideas, efforts, and resources to assist with reconstruction in the tsunami-affected countries of Indonesia, Sri Lanka, and Thailand, than in any previous disaster. The United States signed nine Global Development Alliances leveraging more than \$11 million in private sector funds for reconstruction in tsunami-affected countries.

Current and pending GDA partners in post-tsunami reconstruction include: Caltex, Chevron, Coca-Cola (Thailand), ConocoPhillips Indonesia, Joint Apparel Association Forum/MAS Holdings (JAAF/MAS), Mars Incorporated, the Mellon Foundation, Mercury Marine, Microsoft, Prudential Financial, the Rotary Club of Thailand, and the Unocal Foundation. The compassion of American citizens and the U.S. private sector, combined with official U.S. assistance, helped relieve the suffering of tsunami victims.

**The U.S. Overseas Private Investment Corporation (OPIC):** OPIC plays an important role in fostering private sector engagement. By offering both financing and political risk insurance, and supporting independently-managed equity funds, OPIC helps to mitigate risk for investors, encouraging them to invest in areas that private investors would not necessarily venture. Over the past 34 years, OPIC has supported over \$160 billion of investment in more than 3,000 projects worldwide. Those projects have created an estimated 732,000 host country jobs and nearly \$13 billion in host country revenues, mobilizing capital, and creating economic growth.

### 3. Doing Business/Microeconomic Reform

Private sector flows are important to economic growth. But while capital seeks the right macroeconomic environment, it also needs an enabling environment at the *microeconomic* level. Does the country have the necessary laws and regulations that underpin the working of a sound market economy? Does it have arrangements to assure competition, to establish and protect property rights, to enter and enforce contracts? What about the ability to pledge collateral? And are those laws and regulations interpreted and applied in a competent, fair, consistent and transparent manner? Microeconomic reform can be as important as macro reform and macro stability in the elusive quest for growth. Incentives for individuals to behave in optimal ways are as important at the microeconomic level as they are at the level of macroeconomic policy.

It is also important to note that impediments to doing business impact the poor especially. In fact, of the 20 poorest performing countries in the 2005 *Doing Business*<sup>5</sup> rankings, 18 are in Africa. Only 42 of sub-Saharan African countries have made at least one reform, the lowest percentage for any region. According to the *Doing Business* reports, compared to advanced countries, businesses in developing countries face three times the administrative costs, two times the bureaucratic procedures and delays, and only half the protection of their property rights. These limitations in developing countries contribute to: more informality; limited firm growth; reduced access to credit; greater uncertainty; reduced investment and less employment (all measurements of the *Doing Business* reports).

There are startling differences revealed from country to country. Starting a business takes 155 days in Democratic Republic of Congo, but only two days in Australia. Firing an employee costs the equivalent of 165 weeks of wages in Brazil, but only 32 weeks of wages in France. Enforcing a contract costs 183 percent of the value of the debt in East Timor, but only 5 percent in Denmark.

The United States is addressing microeconomic reform. According to the World Bank's Doing Business office, 24 countries have specifically cited the Millennium Challenge Account as the primary motivation for their reform efforts to reduce the time and cost of

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<sup>5</sup> A series of annual reports published by the World Bank investigating the scope and manner of regulations that enhance business activity and those that constrain it. The report compares more than 130 countries on the basis of quantitative indicators of business regulations to analyze economic outcomes and identify what reforms have worked, where, and why.

starting a business, one of the *Doing Business* measures. As the head of the office stated, “you can say that 80 percent of reform on this indicator has happened as a direct result of the Millennium Challenge Account. That is, in my view, quite a success.”

The Doing Business office also says more than half of the *Doing Business* reforms in 2003-04 in developing countries were associated with USAID assistance. The top three reforming countries in 2004 – Serbia, Georgia and Vietnam – all received USAID reform assistance. The United States has worked very closely with the World Bank to support the Bank’s activities in microeconomic reform, and is currently working closely with Japan in the U.S.-Japan Strategic Development Alliance to address these issues in Asia.

#### **4. POVNET**

The United States has been a strong supporter of the OECD/DAC Poverty Network (POVNET) and has held the chair for the past three years. In that context we have worked closely with other donors to enlarge the DAC guidelines on poverty reduction from a narrow focus on health and education to include infrastructure, agriculture and private sector development. The United States believes this will lead to better poverty reduction strategies and, hopefully, to donor programs addressing poverty that include productive sectors and a strong role for the private sector. Collaboration with other donors at the country level is a reflection of U.S. efforts to include a strong private sector-led growth strategy in the donor dialogue with host countries as well as to operationalize the Monterrey Consensus.

#### **5. Implementing Agencies**

USAID, State, and MCC are key implementing agencies for economic growth programs, along with the Department of Health and Human Services, the Treasury Department, and USTR. The State Department’s Bureau for International Organizations supports growth related programs through the United Nations and other international organizations. Additionally, State’s Office of Development Finance (ODF) leads efforts to promote growth-oriented economic policies, good governance, entrepreneurship, and openness to trade and finance. ODF works with other U.S. agencies on multilateral development finance, trade financing, and export credits.

The Treasury Department implements multilateral programs through the International Financial Institutions (IFIs). The United States remains the largest shareholder in the IFIs and in most Multilateral Development Banks (MDBs). From 2000 to 2004, the United States contributed approximately \$14 billion of ODA to the MDBs. The Treasury Department has primary responsibility for oversight of the MDBs within the U.S. government. State and USAID also have offices that focus on issues pertaining to U.S. policy at the MDBs.

U.S. efforts to leverage MDB assistance in a way that best promotes private sector-led growth have focused on four key themes:

- Expanding the scope for creating and financing private enterprise;
- Promoting efforts to improve country business climates in ways that remove barriers to entry, both domestic and international;
- Fostering trade liberalization and helping developing countries integrate with the global economy; and
- Increasing the effectiveness of MDB support for infrastructure critical to growth, especially by catalyzing private sector investment and public-private partnerships.

The U.S. strongly believes that aid effectiveness, not aid volumes, determines the impact of foreign aid on developing countries' progress. Sharpening the focus of IFIs and MDBs on managing for development results remains a priority of the U.S. Government. All MDBs now recognize the importance of fighting corruption and are beginning to implement reforms at both the country and institutional level. Support of this reform agenda continues to be a top U.S. policy priority at the MDBs. Corruption is legally and morally unacceptable, and siphons away crucial resources before they ever have a chance to reach the poorest segments of developing country populations.

#### *Case Study: Millennium Challenge Corporation in Cape Verde*

MCC's work with the Government of Cape Verde shows how the Compact development process works to develop sound programs based on local ownership, use of country systems, and performance based management.

***Proposal Development:*** Cape Verde was declared eligible for MCC funding in May 2004 based on its good performance on 16 quantitative policy indicators in the areas of governing justly, investing in health and education, and promoting economic freedom. Cape Verde consulted with its citizens extensively to identify national priorities and submitted to MCC an initial concept paper on August 10, 2004. The country was able to move quickly because it formed a strong MCA team, involved high-level decision makers, built on activities undertaken with other donors, and had a firm foundation of good governance. After comments from MCC, Cape Verde presented a final proposal on October 4, 2004.

***Approval Process:*** From October 2004 until May 2005, MCC experts and officials from USAID and other government agencies reviewed the plan, conducting technical and economic analyses of all its elements. MCC also identified policy reforms necessary for the success of the program. Meanwhile, Cape Verde continued its ongoing consultation process with its stakeholders. In May 2005, the MCC team began negotiating the terms of a final Compact with Cape Verde. In early June 2005, MCC's CEO sent the final Compact proposal to the MCC Board with a recommendation to approve. On June 13, 2005, the Board approved the five-year, \$110 million Compact.

***The Compact:*** MCC's CEO signed the Compact on July 4, 2005, in Cape Verde, as the country celebrated 30 years of independence. Cape Verde's final Compact program involves capital investments in road networks and port facilities (building on project preparation activities of the World Bank), water resources, and private sector

development (based on the results of an ongoing IFC study). The program also supports reforms to privatize port operations, maintain roads, manage water use, improve farmers' access to expertise and financial services, and enhance private sector investments. These activities aim to help Cape Verde move from dependence on outside aid to private sector-led economic growth.

On October 17, 2005, after completing final legal documentation, including a detailed monitoring and evaluation plan, MCC made its first disbursement and work on the Compact's goals began in earnest. MCA-Cape Verde, an independent entity, is responsible for management and oversight of the Compact. It, in turn, is overseen by a Steering Committee composed of voting representatives from government, the private sector, and NGOs, with the MCC resident country director serving as a non-voting observer.

### **E. Humanitarian Assistance**

U.S. assistance programs seek to minimize the human and economic costs of displacement, conflict and disasters. The main program areas are:

- Providing protection, assistance, and solutions for refugees, internally displaced persons (IDPs), and victims of conflict and other disasters.
- Increasing disaster readiness – improving the capacity of the USG, host countries and the international community to reduce vulnerabilities to disasters and respond better to humanitarian emergencies.
- Helping to manage migration by promoting capacity-building of governments and civil society for effective, orderly, and humane migration management policies and systems at the national and regional levels, including programs to protect and assist vulnerable migrants.

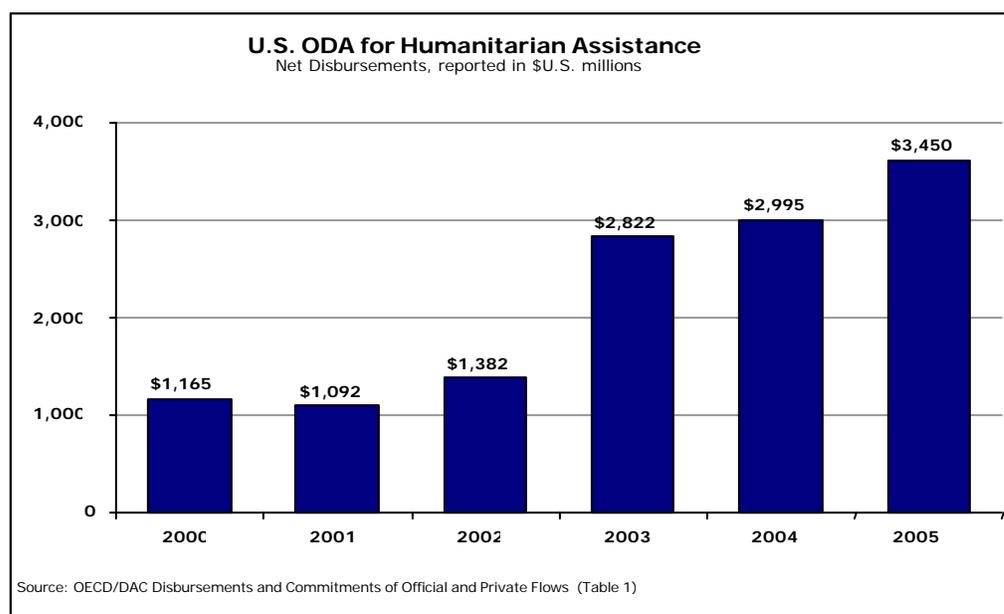
Humanitarian response is a longstanding U.S. foreign aid priority and assistance is provided to people without regard to political relations with their governments. This response integrates basic food, water, sanitation, shelter, health and education services with more politically complex needs such as protection from persecution, gender-based violence and forcible recruitment, capacity building, self-sufficiency and economic livelihood promotion.

This effort demonstrates America's compassion for victims of natural disasters, armed conflict, landmines, forced migration, human rights violations, widespread health and food insecurity, and other threats. The strength of this commitment derives from both our common humanity and our responsibility as a global leader.

Moreover, the United States is the single largest donor of humanitarian assistance in the world. We provided \$1 billion in 2001 and \$3.5 billion in 2005, approximately four times as much as the second largest donor in real terms. The United States provided 36 percent of total humanitarian assistance from DAC donors in 2001. According to the

U.N. Financial Tracking Service (UNFTS), the United States provided 33 percent of all contributions to U.N. Consolidated Appeals (CAPs) in 2004.

The United States also works closely with other donor governments to increase the effectiveness and efficiency of humanitarian assistance. For example, on February 1, 2005, President Bush announced that approximately \$674 million worth of additional resources be directed to humanitarian emergencies in Africa. Then British Prime Minister Tony Blair joined Bush to call on other countries to provide increased resources for humanitarian relief emergencies. This announcement was followed up by U.S. efforts to encourage our DAC counterparts to provide additional resources for African emergencies.



## 1. Policy and Legislative Mandate

The U.S. strategic goal for humanitarian response is “to minimize the human costs of displacement, conflicts, and natural disasters.”<sup>6</sup> Resources are allocated based on humanitarian need, taking into account the magnitude of the population affected, the capacity of the recipients to meet their own needs and the resources being made available by other sources. Resources for prevention are also allocated on the basis of need and a country’s demonstrated commitment to improving its own response, prevention and mitigation capacity.

<sup>6</sup> See bibliography for details on Humanitarian Assistance Authorizing Legislation including: International Disaster and Famine Assistance (OFDA and FFP); International Disaster and Famine Assistance, Chapter 9 Section 491 (USAID). Public Law-480 Title II Emergency Food Aid (FFP); Section 416-(b) Agriculture Act of 1949 (FFP); Migration and Refugee Assistance (PRM); and Emergency Refugee and Migration Assistance (PRM). Additional sources include: FAA Section 123 (b)-(d). (Ocean Freight Reimbursement) and 10 USC section 2561 Overseas Humanitarian, Disaster and Civic Aid ‘OHDACA’ (DOD).

State and USAID work closely together to design humanitarian interventions that are complementary. The State Department's Bureau for Population, Refugees and Migration (PRM) provides protection, assistance and sustainable solutions for refugees and conflict victims. State/PRM emphasizes funding of multilateral organizations and supports NGOs to fill critical gaps in humanitarian programming. USAID's Office of Foreign Disaster Assistance (OFDA) and Office of Food for Peace (FFP) provide assistance to people affected by man-made and natural emergencies. OFDA emphasizes bilateral funding to NGOs with complementary multilateral funding while FFP provides the vast majority of its emergency assistance through the United Nations World Food Program (WFP). Humanitarian response from USDA focuses more on longer term development through the Food for Progress and McGovern-Dole International Food for Education and Child Nutrition programs which provide funding via NGOs and the World Food Program.

## **2. Inter-Agency Coordination**

Coherent humanitarian assistance is ensured through the State-USAID joint strategic plan and participation in the Joint Policy Council (JPC) on Humanitarian Response. Long-standing issues related to internally displaced people (IDP) have been resolved through this forum and U.S. Government contributions to the WFP for refugee populations are discussed. In addition to these formal mechanisms, USAID and State meet regularly at the working level, conduct joint field monitoring missions, include one another's staff in trainings, participate in country or emergency-specific working groups, and collaborate in donor forums in Geneva, Brussels and Washington to present a coordinated U.S. message on humanitarian assistance.

In 2005, USAID created the Office of Military Affairs to strengthen working level contacts with the Department of Defense (DOD) while PRM supports a dedicated Civil-Military Liaison officer. These offices work with the State's regional bureaus, its Office of the Coordinator for Reconstruction and Stabilization, and USAID regional bureaus on issues of transition, reintegration of populations, and program continuity. State also works closely with the Departments of Homeland Security and Health and Human Services in identifying, processing, and admitting refugees for resettlement in the United States.

## **3. International Coordination**

*Long-standing Involvement in Multilateral Coordination* – As an active participant in the governing bodies and donor support groups of major humanitarian organizations such as UNHCR, UNICEF, WFP, OCHA, and the Red Cross movement, the United States advocates for sound management and accountability to ensure the effectiveness of humanitarian assistance. State, USDA, and USAID actively promote improved coordination of need-based food aid responses at the International Food Aid Convention (London) and support the 2005 G8 Sea Island Summit commitment “to ensure that the

outcome of the renegotiation of the Convention promotes good food aid practices and improved assessments based on the needs of beneficiaries in food insecure countries.”

*UN Humanitarian Reform* - The United States joined consensus on the UN General Assembly resolution establishing the expanded Central Emergency Response Fund (CERF) and pledged \$10 million. America also supports the Central Emergency Response Fund (CERF), the cluster approach to U.N. humanitarian coordination and programming, and other pioneering humanitarian reform efforts.

U.S. support is not free of concerns. We wish to ensure that donors continue to have a strong voice with respect to the expenditure of voluntary contributions, that Humanitarian Coordinators (HCs) have the authority and resources required to competently lead UN country teams, that protection and assistance for IDPs is greatly enhanced, and that programmatic coherence, coordination and accountability is increased. The United States recently chaired (July 2005 – July 2006) the U.N. Office for the Coordination of Humanitarian Affairs’ Donor Support Group (ODSG) and is helping to build new partnerships as well as expand the reach of donors by encouraging further humanitarian assistance. The most recent fruit of this labor was the May 9, United Arab Emirates announcement that the country would become the 20<sup>th</sup> member, and first non-Western member of the ODSG.

*Other Improvement Efforts* – The United States also actively participates in the Good Humanitarian Donorship (GHD) initiative to further incorporate GHD principles, best practices and definitions into the working terminology and procedures of the DAC. It supports the Sphere guidelines for minimum standards in disaster response, and other efforts to improve monitoring and evaluation of humanitarian impact. The United States initiated the interagency Standardized Monitoring and Assessment of Relief and Transitions (SMART) that established two key indicators on mortality rate and nutritional status with a standardized assessment tool to provide a system-wide framework for determining need and reporting on impact of humanitarian aid, and continues to support the development of the shared Complex Emergencies Database to collect and analyze data on these and other indicators.

#### **4. Strategies and Programming**

The need for country or regional plans is determined on a case-by-case basis. In many instances only an operational plan is needed. Strategic plans are required for countries where the need for humanitarian assistance is not only immediate and urgent, but also persistent, so that assistance can be provided on a prolonged basis. Strategic plans are also required for mitigation/prevention programs that reduce risks associated with disasters.

When devising, or revising, country or regional response plans, U.S. agencies and departments routinely consult with InterAction, the Refugee Council USA, and the Food Aid Consultative Group, all consortia of U.S. NGOs. In Washington, Geneva, Brussels, and New York, as well as at field level, the United States is an active participant in donor

coordination mechanisms and works closely with national and international bodies. Through the Department of State and the United Nations, the United States encourages diplomatic resolution of conflicts and advocates for protection and durable solutions for those affected.

In keeping with the principles of Good Humanitarian Donorship, the United States strives to respond according to verified need and in keeping with the “Do No Harm” principle aimed at minimizing negative consequences sometimes associated with humanitarian assistance. In addition, the United States provides relief that promotes sustainable livelihoods as well as social, civic, and economic recovery.

When humanitarian assistance is provided in a country where U.S. programs support other core development goals, efforts are made to ensure that humanitarian assistance is provided in ways that do not interfere with other goals. Whenever feasible, assistance is designed to set the stage for transition and development. The United States also helps build local and regional capacity to respond to emergencies whenever feasible and likely to be sustained, thereby mitigating the impact of disasters and reducing the need for external assistance.

Other programs, managed by the Defense Security Cooperation Agency (DCSA), contribute to U.S. humanitarian assistance and include:

- The *Ocean Freight Reimbursement* (OFR) program supports private voluntary organization programs, allowing recipients to ship a wide variety of goods overseas for use in privately funded development and humanitarian assistance programs. The program provides small competitive grants to approximately 50 U.S. PVOs each year. Funds are used to reimburse the PVOs' costs to transport donated commodities, such as medical supplies, agricultural equipment, educational supplies, and building equipment to developing countries.
- *Humanitarian Assistance Program* allows U.S. military personnel to conduct specific humanitarian projects. 10 U.S.C. Section 2561 authorizes the programs and the Overseas Humanitarian, Disaster and Civic Aid (OHDACA) appropriation and is the funding source for approved budgets. Typical projects include the refurbishment of medical facilities, construction of school buildings, digging of wells, improvement of sanitary facilities, and training of host country personnel in internally displaced persons/refugee repatriation operations and in disaster relief and emergency response planning.
- *Funded Transportation Program* is conducted under the same authority as the Humanitarian Assistance program above, and allows DOD to transport cargo and non-lethal excess property worldwide for nongovernmental and international organizations. This authority provides for the actual cost of transportation and the payment of any associated administrative costs.

- *Denton (Space Available) Program* allows nongovernmental organizations or private citizens to use space available on U.S. military cargo planes to transport humanitarian goods and equipment to countries in need, at little or no cost to them. The program is jointly administered by USAID, State, and Defense. In fiscal year 2003, 330,000 pounds of humanitarian goods were sent to seven countries through the Denton program.
- *Excess Property Program* permits DOD to make available, prepare and transport non-lethal excess property to foreign countries when requested by the Combatant Commanders.

## 5. USAID Food for Peace

*Policy, Legislative Mandate and Strategic Objective* - Public Law 480, (PL480) Title II food aid is the primary resource of the United States for responding expeditiously to critical food needs of targeted vulnerable groups. Food for Peace (FFP) is the primary office through which this resource flows to people who have immediate food needs.

FFP seeks to ensure that appropriate Title II emergency food aid is provided to the right people in the right places at the right time and in the right way. Vulnerable groups receiving food aid are those who, because of natural or man-made disasters and/or prolonged civil strife, require food assistance to survive the emergency and begin the process of recovery. Programming assistance most often attempts to target the most vulnerable segments of an affected population.

In keeping with the U.S. commitment to address hunger systematically, a new, single strategic objective for the office was approved last year: “*Food insecurity of vulnerable populations reduced.*” The plan emphasizes the need for improved donor coordination and improved impact monitoring in the field.

*Coordination in Policy and Programming* - An ongoing U.S. priority is to meet emergency humanitarian needs in Africa. Particular attention is paid to meet short-term needs of famine and especially those structural, policy and governance factors that undermine countries' ability to feed themselves in the event of a natural disaster.

The United States is working with International Financial Institutions (IFIs), other OECD countries and the Government of Ethiopia to implement a multi-year productive safety net program (PSNP). Total donor funding for the first three years of the program (2005-2007) is approximately \$760 million. The United States is working with The New Partnership for Africa's Development (NEPAD), other donors and regional economic communities in Africa to extend the famine initiative to two or three countries, most likely Niger, Malawi or Zambia.

The United States also provides leadership at the World Food Program Executive Board (Rome), and works with the Food and Agriculture Organization (FAO), WFP and other donors to improve the emergency food needs assessment and response system

for the famine prevention commitment made by the 2004 G8 Summit at Sea Island. That summit, in particular, called for building market systems and structures to increase livelihood opportunities that can sustain higher incomes and food availability in areas facing a threat of famine. Additionally, FFP provides internationally-respected famine early warning (FEWS NET) information to all U.S. agencies and donors.

*Programming and Policy Leadership* - On June 7, 2005, President Bush announced approximately \$674 million of additional resources to respond to humanitarian emergencies in Africa and, together with British Prime Minister Blair, called on the world to provide increased resources for humanitarian relief for emergencies occurring now and for those that might arise in the future in Africa. The U.S. funding includes:

- An estimated \$250 million for food aid from the Emerson Humanitarian Trust;
- \$240 million for food aid from the emergency supplemental; and
- \$184 million for emergency humanitarian assistance from the emergency supplemental.

To support the President's initiative, the United States worked through high-level contacts, press releases, demarches and other methods to get other donors to increase their humanitarian assistance to Africa.

The President's Initiative to End Hunger in Africa (IEHA) focuses on increasing agricultural productivity and incomes of rural households to reduce poverty and hunger in sub-Saharan Africa. The initiative coordinates U.S. support for the Comprehensive African Agricultural Development Plan (CAADP).

In 2005 through IEHA, the United States co-sponsored regional and continent-wide processes involving leaders from 52 countries in Africa and all G8 members to develop concrete actions to implement CAADP. In September 2005, the United States committed to aligning IEHA efforts with CAADP, and will program approximately \$200 million in fiscal year 2006 for the first year of a five-year effort that will span from 2006 to 2010. USAID expects similar commitments over each of the next five years.

The United States has promoted or supported G8 commitments at the 2003 Evian Summit, where we agreed to meet emergency food assistance needs, improve early warning systems, increase aid effectiveness and develop longer-term initiatives to address food insecurity. Last year at Gleneagles, the United States supported the G8 commitment to strengthen its support: to assuage African humanitarian emergencies; to help African governments meet their pledges to channel 10 percent of their national budgets into agriculture; and to create a comprehensive plan to increase agricultural productivity based on the CAADP.

## **6. Monitoring and Evaluation**

Humanitarian programs are assessed based on the objectives of saving lives, directly alleviating hunger and suffering, reducing the direct economic impact of disasters, and laying the groundwork for follow-on development efforts.

The United States extensively monitors partners' programming efforts. Overseas, USAID regional coordinators and country specific officers, and State refugee coordinators conduct ongoing monitoring of programs in countries within their regions of responsibility. Washington-based program officers monitor the programs for which they have responsibility, either in conjunction with regional/country/refugee coordinators or independently. Monitoring is done using both broad indicators for large populations such as crude mortality rate as well as project-specific indicators.

In the United States, PRM's Admissions Office staff monitors Bureau-funded affiliates of the private voluntary resettlement agencies. USAID/DCHA and PRM take part in multi-donor evaluations, DCHA has conducted bureau-wide evaluations with external evaluators and OFDA has joined multi-agency (donor/UN/NGO) evaluation efforts through the coordinating offices of the Active Learning Network for Humanitarian Good Practice and Accountability.

### *Case Study: South Asia Earthquake and Tsunami*

A devastating, 9.0 magnitude earthquake off the west coast of Northern Sumatra triggered massive tsunamis which caused catastrophic damage and flooding in many countries in South and Southeast Asia on the morning of December 26, 2004. The primary countries affected were Indonesia, Sri Lanka, India, and Thailand, though the disaster also affected Maldives, Malaysia, Somalia, Tanzania, Kenya and the Seychelles. The United States provided immediate assistance to the stricken areas to save lives, mitigate suffering, assist American citizens, and reduce the economic effect of the disaster.

The President sent the Secretary of State and USAID Administrator to the region to conduct an assessment and demonstrate our concern for the impacted populations. U.S. ambassadors to the affected countries offered immediate relief funds from their disaster assistance authority. USAID's Response Management Teams (RMTs) and Disaster Assistance Response Teams (DARTs) were dispatched to determine the severity of the situation, and to report back to Washington on their findings, ensuring a coordinated response capability. The DARTs worked closely and cooperatively with the Red Cross and Red Crescent Movement, other nongovernmental organizations and host nations, UN programs and agencies, the International Organization for Migration, and other international organizations. Back at Washington headquarters, USAID led efforts to form a core group of donors, instrumental in ensuring the smooth operation of initial relief efforts.

The Departments of State and Defense worked together to facilitate coordinated U.S. military support efforts with other U.S. efforts on the ground. Relevant foreign governments were informed of and approved all military efforts. As a result of the State Department's diplomatic support, the U.S. military was able to play a key role quickly in relief efforts throughout the region, especially in providing initial assessments and transporting and delivering supplies, including food, medicines, and personnel.

State and USAID coordinated closely with the White House, Defense and other departments to ensure that the breadth and scope of U.S. contributions to the international relief effort was properly coordinated and communicated to the world. Dedicated State and USAID web sites provided extensive information in multiple languages, including photos and transcripts.

The initial U.S. Humanitarian and Recovery Assistance pledged in January 2005 was \$350 million. The funds were directed towards a wide array of activities, such as the provision of food, water, and relief supplies; cash-for-work cleanup programs; construction of emergency shelters; and provision of sanitation, medical necessities, child protection and psychosocial trauma support. Other types of assistance included aerial assessment, transport of relief personnel and light cargo, logistics, air support and coordination, mobile health clinics, and emergency grants and loans.

In the transition from immediate relief to longer-term reconstruction, USAID and State coordinated the priorities and goals for reconstruction. This included working with other U.S. agencies, the World Bank, Asian Development Bank, UN Development Group, other international organizations, and host governments to alleviate poverty; promote local empowerment and good governance; accelerate infrastructure repairs and environmental remediation; and develop long-term, sustained economic growth.

#### *Case Study: Sudan*

The United States has led the international response to the complex humanitarian emergency resulting from the ongoing conflict in Darfur, Sudan, while working to implement the peace settlement between the northern and southern parts of the country. We committed more than \$1.9 billion in assistance for Sudan from fiscal years 2003-2005, and the government plans to provide significant additional funding in fiscal year 2006. USAID and the Department of State continue to work closely to alleviate the suffering of over 1.6 million IDPs in Darfur and 200,000 Sudanese refugees in Chad. On April 20, 2006, USAID announced it was reestablishing its mission in Sudan. USAID/Sudan will allow for more direct management of the U.S. government's development programs countrywide.

The United States has actively engaged with multilateral and nongovernmental organizations to ensure strong management of humanitarian programs under challenging conditions. The United States is also a leading advocate for the protection of civilians affected by the conflict. To strengthen their response, USAID and State have deployed staff, including a Disaster Assistance Response Team, to the region on diplomatic and extended monitoring missions. Humanitarian assistance to Darfur and Eastern Chad in fiscal year 2005 included efforts to provide water, sanitation, shelter, nutrition, health care, food security, and other important support. The United States obtained NATO agreement to support the African Union's peacekeeping expansion in Sudan. As part of this NATO support, the U.S. Military's European Command began airlifting 1,800 Rwandan peacekeepers to Darfur in July 2005.

#### *Case Study: Pakistan Earthquake*

On October 8, 2005, a 7.6 magnitude earthquake struck Pakistan, India and Afghanistan, devastating substantial areas of Pakistan's North West Frontier province and Kashmir. Pakistan government estimates placed the death toll at more than 73,000 people with more than 69,000 people seriously injured and 2.8 million survivors left without shelter. The earthquake damaged economic assets and infrastructure in the area extensively. Private housing, schools, hospitals, government buildings, roads, bridges, transmission systems and power plants were also severely damaged or destroyed.

U.S. relief operations began almost immediately after the earthquake and continued through the winter. The White House, USAID, State, Defense, and the U.S. Embassy in Islamabad coordinated and consulted with the United Nations and other donors to ensure that the U.S. response was both immediate and appropriate. The United States deployed a USAID Disaster Assistance Response Team (DART) on October 10 to assess humanitarian needs, assist with targeting and coordination of U.S. assistance to supplement the USAID office in Pakistan, and provide technical support as needed. The DART identified shelter, relief supplies, logistics, health, water and sanitation, and support of livelihoods as immediate relief priorities. As of March 2006, the United States had provided over \$97 million in humanitarian assistance to Pakistan for earthquake response and rehabilitation. (This figure does not include DOD assistance.)

USAID and State coordinated with DOD in its immediate relief efforts, which included the Mobile Army Surgical Hospital, a Marine medical element and a Naval Mobile Construction Battalion. DOD has obligated \$102 million for relief operations. More than 3,200 helicopter sorties, some with State Department-furnished helicopters, evacuated 3,700 people and provided medical care to more than 21,000 Pakistanis. At the request of the Government of Pakistan, the U.S. military remained engaged in relief operations throughout the winter.

## **CHAPTER 4: ORGANIZATION AND MANAGEMENT**

This chapter outlines the organization and management structure of the largest foreign assistance departments and agencies including the U.S. Agency for International Development; the departments of State, Defense, and Treasury; and the Millennium Challenge Corporation. Other U.S. departments and agencies with significant foreign assistance responsibilities include Agriculture, Health and Human Services, Peace Corps and others. With net ODA disbursements in calendar year 2005 of nearly \$10.7 billion, USAID is the largest foreign assistance agency.

Just as the policy framework for U.S. foreign assistance is evolving and changing, so are the organization and management structures of key U.S. foreign assistance departments and agencies. Under the direction of the President, the Secretary of State is responsible for the continuous supervision and general direction of economic and military assistance. While USAID is the primary bilateral aid agency, the Department of State has the primary responsibility to represent the United States in United Nations development forums, including conferences and the governing bodies of UN Funds, Programs, and Specialized Agencies.

At the direction of the Secretary, USAID and the Department of State have undertaken major reforms to reduce duplication of services. Since the 2002 DAC Peer Review, the Department of Defense has taken on a much larger role in implementing foreign assistance, especially with major DOD-managed programs in Iraq and Afghanistan and disaster response for the tsunami. Recent organizational changes among the agencies responsible for U.S. foreign assistance have improved coordination in programming and implementation.

### **I. ORGANIZATION**

#### **A. Origins**

The Foreign Assistance Act (FAA) of 1961, as amended, is the major law authorizing U.S. foreign assistance programs. The FAA provides the policy framework through which all economic aid is provided, along with the legal powers to implement FAA assistance programs.

The FAA reorganized the U.S. foreign assistance programs and mandated the creation of the Agency for International Development, established by President John F. Kennedy under Executive Order on November 4, 1961. USAID was the first U.S. foreign assistance organization whose primary emphasis was to promote long-range economic and social development. USAID unified already existing U.S. aid efforts, combining the economic and technical operations of the International Cooperation Agency (ICA), the loan activities of the Development Loan Fund, and several other aid functions scattered in the executive branch. The FAA authorizes the Department of State to address a range of security concerns, including anti-narcotics and crime assistance, nonproliferation

assistance, anti-terrorism assistance, peacekeeping assistance, and military education and training.

In the 1970s a “basic human needs” approach replaced technical and capital assistance programs. New Directions legislation of 1973 identified five assistance categories for meeting the basic needs of the poorest countries:

1. Food and nutrition
2. Population planning
3. Health, education, and human resources development
4. Selected development problems
5. Selected countries and organizations

In 1979 the International Development Cooperation Agency (IDCA) was established by Executive Order. With the establishment of IDCA, FAA authorities were delegated in part to the Director of IDCA (those dealing with the provision of economic assistance), most of which were re-delegated to the USAID Administrator. Authorities dealing with security assistance were delegated generally to the Secretary of State.

In the 1980s, foreign assistance turned to “stabilization and restructuring.” USAID designed export-oriented production and trade projects to stabilize currencies and financial systems. It promoted market-based principles to restructure developing countries’ policies and institutions. During this decade, USAID reaffirmed its commitment to broad-based economic growth, emphasizing employment and income for the poor through a revitalization of agriculture and expansion of domestic markets. The Reagan administration restored foreign economic assistance as a function of national security policy and created four pillars of aid:

1. Policy dialogue and reform
2. Institutional development
3. Technology transfer
4. Private sector development

In this decade, development activities were increasingly channeled through Private and Voluntary Organizations (PVOs), and aid shifted from individual projects to large programs comprising a number of projects.

In 1989, Congress passed the Support for East European Democracy (SEED) Act and, in 1991, the Freedom for Russia Support Act. The overall coordination for these two acts fell into the Department of State, and USAID assumed responsibility for planning and implementation of programs to help establish functioning democracies that have open, market-oriented economic systems and responsive social safety nets.

In the 1990s, “sustainable development” was the priority, and USAID concentrated on programs that capitalized on the capacity of a country to improve its own quality of life. Four areas identified as fundamental to sustainable development were: population and health, broad-based economic growth, environmental protection, and building democracy.

## **B. The Current Situation**

The Department of State, particularly in the person and office of the Director of Foreign Assistance and USAID Administrator, the Secretary of Treasury, and the Chief Executive Officer of the Millennium Challenge Corporation are responsible for leading ODA policy and coordinating its execution. The Executive Office of the President, and in particular the National Security Council and the Office of Management and Budget, continue to be integral in the formulation of development assistance policy and funding. The U.S. Congress authorizes the use and funding of Official Development Assistance.

The Millennium Challenge Act of 2003 grew out of the U.S. commitment at the Monterrey Summit on Financing for Development “to provide greater resources for developing countries taking greater responsibility for their own development.” The Millennium Challenge Corporation (MCC) was established on January 23, 2004, to manage and implement the program.

On December 7, 2005, President Bush issued a National Security Presidential Directive (NSPD-44) to empower the Secretary of State to improve coordination, planning, and implementation for reconstruction and stabilization assistance for foreign states and regions at risk of, in, or in transition from conflict or civil strife. To lead this effort, the Office of the Coordinator for Reconstruction and Stabilization (S/CRS) was established. Depending on the situation, these stabilization and reconstruction operations can be conducted with or without U.S. military engagement. When the U.S. military is involved, the Secretary of State coordinates such efforts with the Secretary of Defense.

The Defense Security Cooperation Agency (DSCA) has oversight responsibility for the Humanitarian and Civic Assistance Program, which is funded by the military services. The Overseas Humanitarian, Disaster and Civic Aid (OHDACA) appropriation includes three sub-activities: the Humanitarian Assistance Program; the Humanitarian Mine Action Program; and the Foreign Disaster Relief Program.

In broad terms, these programs support U.S. military forces in meeting two key requirements specified in the National Security Strategy. The first is to maintain a robust overseas presence aimed at shaping the international security environment in a manner that deters would-be aggressors, strengthens friends and allies, and promotes peace and stability in regions of tension. The second requirement is for U.S. forces to respond effectively when called upon to assist the victims of storms, earthquakes and other natural or man-made disasters.

DOD humanitarian and related programs meet these needs by providing geographical Combatant Commands (COCOMs) to carry out peacetime engagement missions, and by augmenting the COCOMs’ capabilities to respond to humanitarian crises. In providing relief to areas of need, the U.S. military receives substantial training and access to benefits. Across a number of operational areas, such as logistical support, OHDACA programs enhance readiness of U.S. military forces.

The Department of Treasury is the lead U.S. agency with respect to the Multilateral Development Banks (MDBs) and the IMF. The U.S. Executive Director (USED) in each institution operates under the guidance of the Secretary of the Treasury. The Treasury Secretary delegates this role to the Under Secretary for International Affairs and the Assistant Secretary for International Affairs. Working in partnership with other U.S. Government agencies and the offices of the U.S. Executive Directors, the Treasury Department leads U.S. efforts to improve the developmental as well as institutional effectiveness of these multilateral organizations.

### **C. Legislation**

The Foreign Assistance Act gives USAID the basic authority to provide development assistance. Until 1992, Congress appropriated funds separately for each sector (e.g., agriculture, education). To increase flexibility, in 1992, sector-specific appropriations were combined into fewer accounts. By 2004, the two major accounts managed by USAID included: Development Assistance (DA), and Child Survival and Health (CSH).

Other accounts managed by State include: Economic Support Fund (ESF); Peacekeeping Operations; Democracy Fund; Nonproliferation, Antiterrorism, Demining and Related Programs; International Narcotics Control and Law Enforcement; Migration and Refugee Assistance (MRA); and International Organizations and Programs. The Coordinator for HIV/AIDS manages a separate Global HIV/AIDS Initiative account. The FAA contains authorizations for other programs, such as small-enterprise credit and international disaster assistance.

The Millennium Challenge Act authorizes the Millennium Challenge Corporation to provide untied grants to developing countries that are selected based upon criteria contained in the Act. MCC appropriations are “no year” money, meaning that they continue to exist beyond the appropriated year even if not obligated. The Act does not contain country- or purpose-specific earmarks. It sets out the process of country design and consultation for a proposal and for negotiation of a Compact between MCC and the host country government.

The Department of Defense supports the Commanders’ Emergency Response Program (CERP), which falls within the Ronald W. Reagan National Defense Authorization Act for fiscal year 2005, Public Law No. 108-375, Section 1201. The CERP is designed to enable local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the indigenous population.

### **D. Official Development Assistance Institutions**

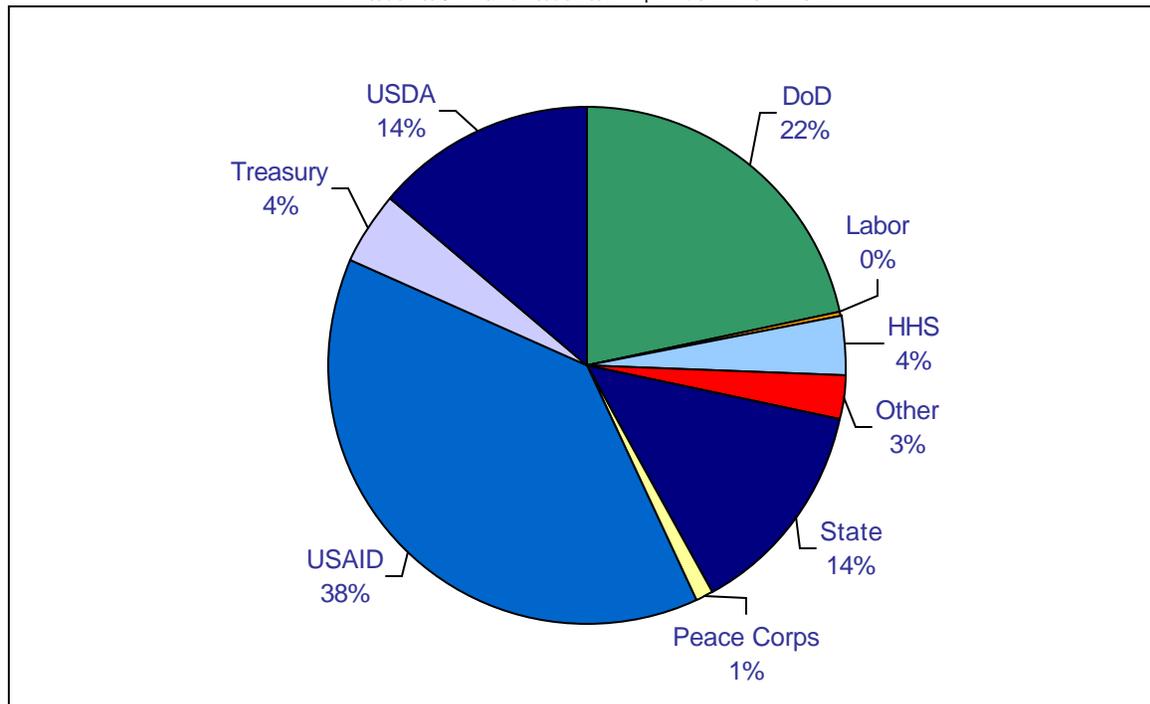
There are 26 U.S. departments and agencies that provide official bilateral and/or multilateral official development assistance (ODA). Of the 26 agencies, the five largest together provide over 90 percent of ODA. These are USAID, Defense, USDA, State, and

Treasury. The Millennium Challenge Corporation does not currently rank in the top five because its programs are still in initial stages.

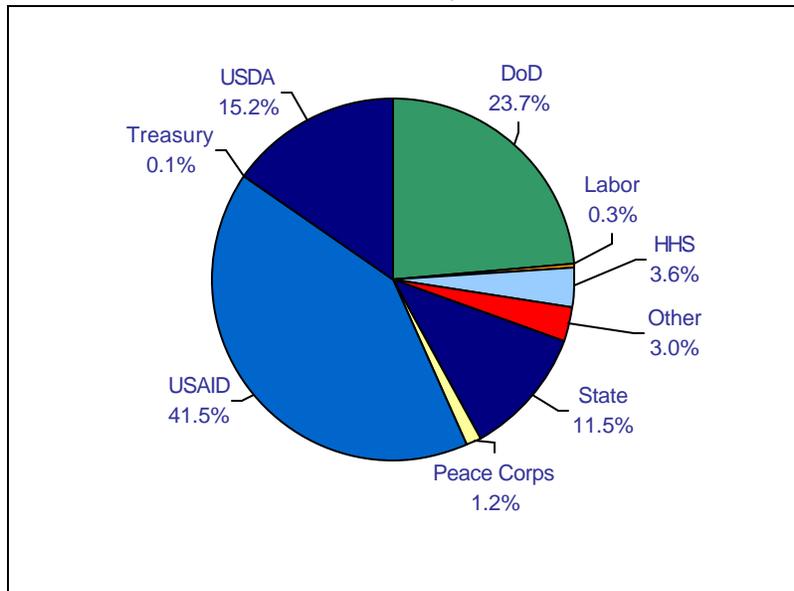
- *USAID* implements the majority of U.S. ODA with total net disbursements of approximately \$10.7 billion in calendar year 2005.
- The *Department of State* disbursed approximately \$3.8 billion in 2005. This amount, together with USAID-managed programs, accounted for over 52 percent of all U.S. ODA. State Department disbursements are 77 percent bilateral, with the balance supporting the United Nations and other international organizations.
- The *Department of Defense* plays a growing role in providing basic humanitarian relief, as well as supporting selected infrastructure and repair. In 2005, DOD's net ODA disbursements neared \$6 billion, second only to USAID.
- The *Department of Treasury* is the U.S. counterpart for the Multilateral Development Banks. Treasury total net disbursements in 2005 were \$1.2 billion, of which 98 percent are multilateral.
- The *Department of Agriculture* is responsible for the provision of international food aid. In 2005 USDA net disbursements totaled approximately \$3.8 billion for bilateral programs alone.

To add to this list, a number of other government agencies implement specific programs in their areas of expertise including the *Department of Health and Human Services*, *Peace Corps*, the *Department of Energy*, the *Commerce Department*, the *Forest Service*, the *Environmental Protection Agency*, and others.

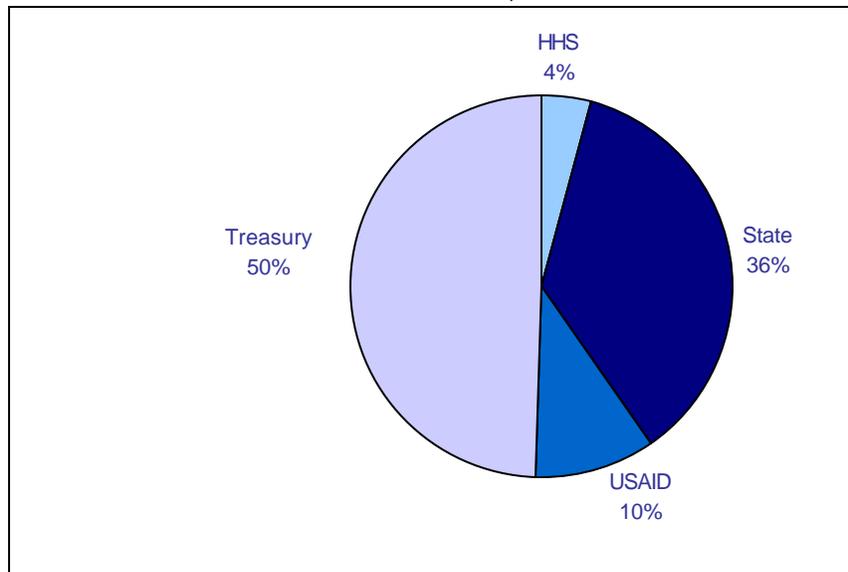
**Distribution of U.S. Official Development Aid by Agency  
CY 2005 - Net Disbursements  
Bilateral/Multilateral - \$27.622 billion**



**Distribution of U.S. ODA  
CY 2005 – Bilateral \$25.279 billion**



**Distribution of U.S. ODA  
CY 2005 – Multilateral \$2.343 billion**



## **USAID**

The introduction of the dual-hatted Director of Foreign Assistance (State/F) and USAID Administrator has important ramifications for the organizational structure at both State and USAID. State/F has introduced a new Strategic Framework for foreign assistance appropriated to both the Department of State and USAID. The framework establishes overarching objectives for U.S. foreign assistance: to achieve peace and security; to improve governance and democratic participation; to promote investments in people; and to engender economic growth. The framework establishes a progressive set of goals and indicators for recipients of foreign assistance, cognizant of country characteristics. It strategically links transformational development objectives with appropriated funding sources and activities.

At the country level, the Strategic Framework serves as a "roadmap," guiding programming to help achieve goals. State/F -- with input from Congress -- will establish the goals toward which foreign assistance will be directed and the measures to track progress. Then, under ambassadorial leadership in the field, country teams will define the activities for which funds will be used to help achieve established goals.

With expert knowledge of country circumstances, the field-based staff will produce integrated, coherent country operational plans that indicate, for each activity, the partner, the amount of money, the expected output, and the ultimate outcome that will contribute to established goals. These plans will be reviewed in Washington for their consistency with shared goals and expectations, with funds allocated only after plans are approved. By requiring detailed and specific planning up-front, before funds are appropriated, both the strategic direction of the programs and the speed of their implementation will improve.

Implementation of these major changes in the planning, allocation, and programming of foreign assistance resources, with new and intensified responsibilities for Washington and the field, is now being rolled out. By January 2007, each country with a USAID mission will have submitted a Country Operational Plan (COP) for expending fiscal year 2007 resources appropriated to USAID. USAID will fast-track about 35 countries to submit integrated fiscal year 2007 COPs that incorporate all U.S. foreign assistance allocated to those countries.

For fiscal year 2008, State and USAID will use the Strategic Framework as the basis for integrated budget planning for foreign assistance resources. For fiscal year 2008 and beyond, all countries in which foreign assistance funds are expended will submit fully integrated, fully coordinated Country Operational Plans that include all U.S. foreign assistance resources.

The Foreign Assistance Framework and Country Operational Plans will improve accountability by allowing stakeholders, such as Congress, to track progress against invested funds across countries, programs and partners based on a defined set of goals and indicators. The Framework and Operational Plans will improve foreign assistance

effectiveness by reducing duplication among programs. With all U.S. government development institutions speaking and acting from the same page, recipients and implementers receive one message and are held consistently accountable for performance. The result: the impact of U.S. government aid is amplified.

The Framework and Operational Plans will improve efficiency by fully integrating at every stage the State and USAID planning processes. Sharing one set of goals will strengthen the link between policy, program planning, and results, and ensure that activities are mutually supportive and comprehensive. This has streamlined budgetary processes and reduced the burden that redundant functions place on field staff.

The effectiveness of this strategy will improve dramatically due to better managed personnel and operating expense resources based in Washington. It replaces the hodge-podge of personnel authorities, administrative fund sources, and management initiatives that made the cost of doing business difficult to discern.

USAID will continue to implement programs through four regional bureaus: Africa, Asia and the Near East, Latin America and the Caribbean, and Europe and Eurasia. These geographic bureaus are supported by three technical (or pillar) bureaus: Democracy, Conflict, and Humanitarian Assistance; Economic Growth, Agriculture and Trade; and Global Health. The pillar bureaus provide expertise in democracy promotion, accountable governance, disaster relief, conflict prevention, economic growth, agricultural productivity, environmental protection, education reform, and global health challenges such as maternal/child health and HIV/AIDS.

The regional and technical bureaus are supported by the Bureau for Management which administers a centralized support services program for USAID's worldwide operations. The Bureau for Legislative and Public Affairs conducts outreach programs to promote understanding of USAID's mission and programs. The Office of Global Development Alliances operates across the four regional bureaus to support the development of public-private alliances. Other USAID bureaus and offices support security, business, compliance, and diversity efforts, as well as faith-based and community initiatives.

### **Department of State**

The Department of State is organized to employ a variety of strategies to guide the use of multilateral institutions as implementing agencies. For example, the Bureau of International Organizations (IO) coordinates U.S. representation in the UN system and provides funding to several UN development agencies involved in field operations, including UNICEF, UNDP, and UNEP, as well as providing substantial administrative infrastructure and core program funding to support countries that are committed to good governance and sound policies.

Roughly 85 percent of the State Department's Bureau of Population, Refugees, and Migration (PRM) funding is provided to multilateral humanitarian organizations – primarily the UN High Commissioner for Refugees (UNHCR), the International Committee of the Red Cross (ICRC), the International Organization for Migration (IOM),

and the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

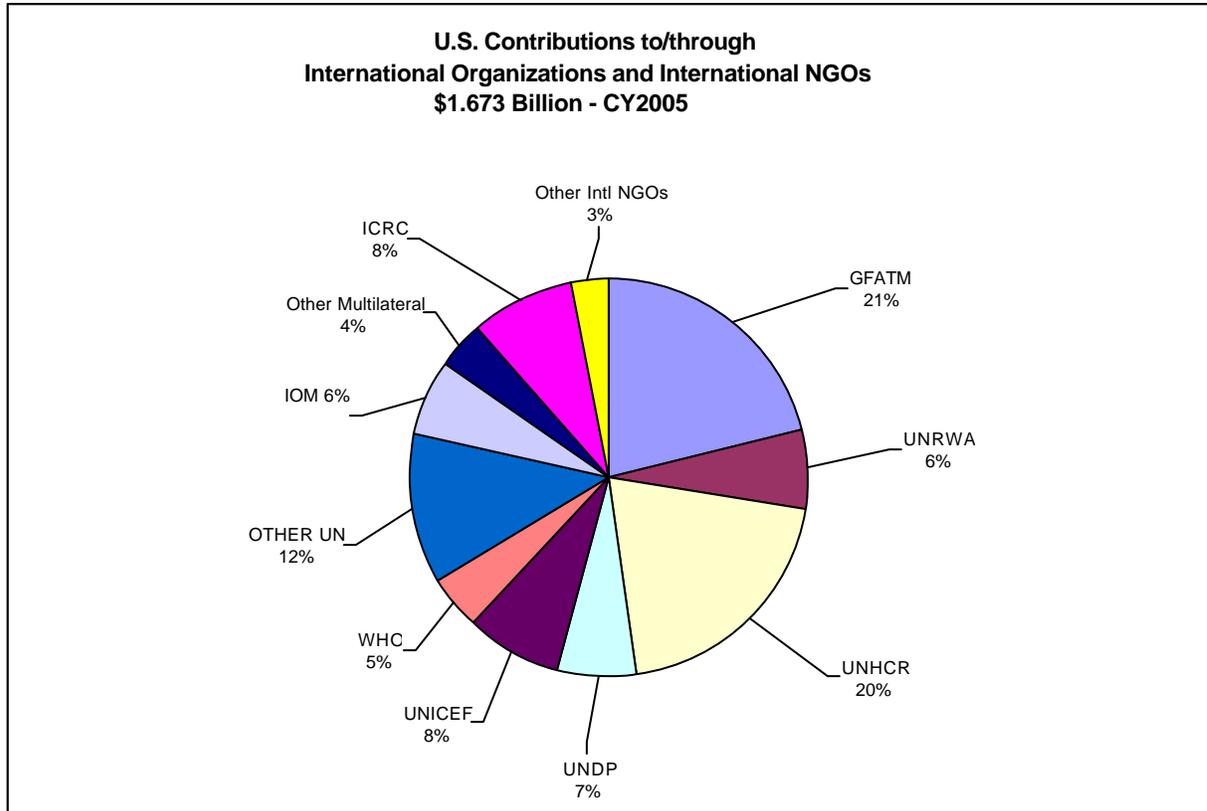
This multilateral strategy ensures flexibility and responsibility-sharing in responding to refugee challenges in complex emergencies and protracted situations, which are regional and dynamic in nature. Global Issues/Trafficking in Persons (G/TIP), when warranted, uses multilateral organizations to support anti-trafficking programs in countries for which G/TIP access is difficult or to support regional anti-trafficking programs.

The Middle East Partnership Initiative (MEPI) uses a variety of multilateral organizations and coordinates closely with bilateral organizations in order to avoid redundancies and find efficiencies.

Regional bureaus use multilateral partners in specific contexts. The Department of State's Africa Bureau, for example, works primarily through the Africa Union; and the East Asia and Pacific Bureau through Asia-Pacific Economic Cooperation (APEC). The Bureau of Western Hemisphere Affairs works primarily through the Organization of American States (OAS) to implement regional and sub-regional goals and programs, including mandates from the Summit of Americas process and support to the Inter-American Committee against Terrorism (CICTE) and the Inter-American Drug Abuse Control Commission (CICAD). Many State offices work within the UN context.

The President's Emergency Plan for AIDS Relief (PEPFAR) seeks to promote comprehensive responses to HIV/AIDS at the country level by building international commitment to coordinated action. Through the Office of the Global AIDS Coordinator (OGAC), the United States has been active on the boards of both UNAIDS and the Global Fund and is the leading donor to both. The World Health Organization has adopted the U.S.-supported "Three Ones" for country-led coordination of donor funding: one action framework in each country for HIV/AIDS; one national coordinating authority; and one monitoring and evaluation system.

The Economic Bureau's Office of Development Finance (IFD/ODF) leads the State Department's efforts to spur economic development overseas by promoting growth-oriented economic policies, good governance, entrepreneurship, openness to trade and investment, and effective overseas development assistance. ODF has the lead role in the State Department on official trade financing and export credit issues and supports international donor efforts for reconstruction in post-crisis areas. ODF works with U.S. agencies and the multilateral development banks to bring trade, investment, and assistance to developing countries and to promote sales of U.S. goods and services.

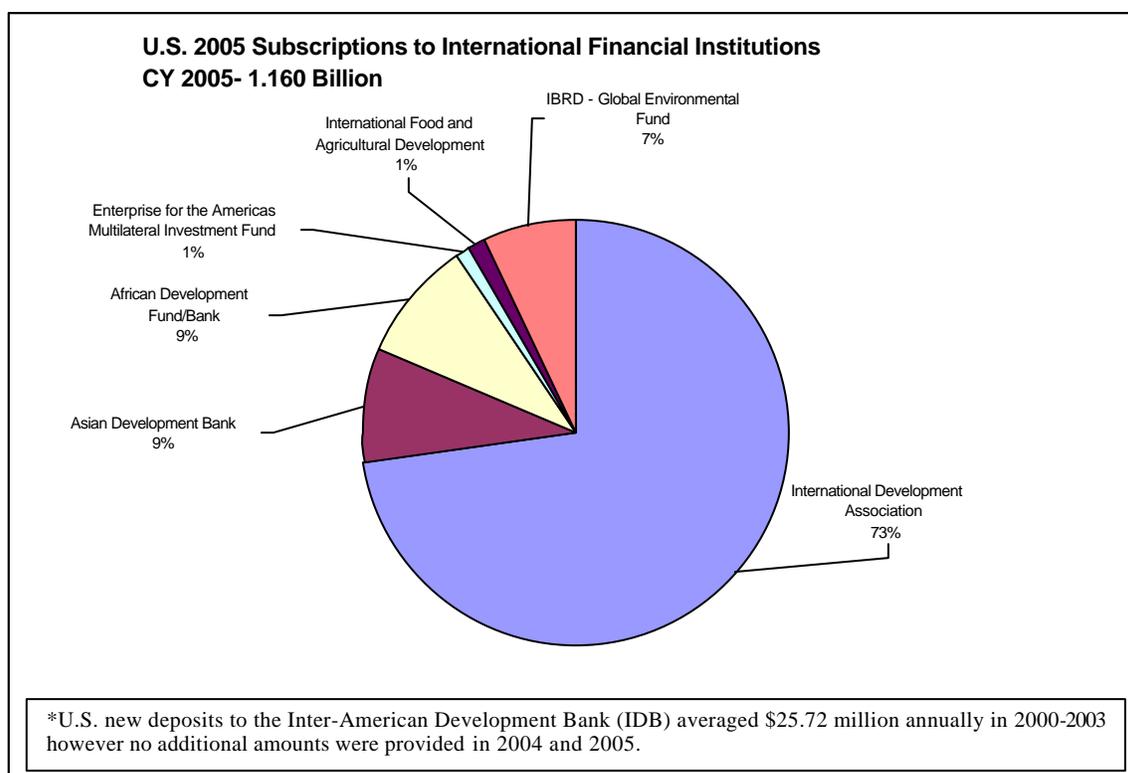


A number of the State Department entities that allocate and implement assistance programs also have units or systems that provide the analytical capacity and information required to conduct their work.

### **Department of the Treasury**

The Department of the Treasury has primary U.S. government responsibility for oversight of the Multilateral Development Banks (MDBs). The United States remains the largest shareholder in the International Financial Institutions (IFIs) and most Multilateral Development Banks (MDBs) such as the World Bank and the Inter-American Development Bank (IDB). From 2000 to 2004, the United States contributed approximately \$14 billion of ODA to the MDBs. USAID and State also support offices that focus on issues pertaining to U.S. policy at the MDBs.

Engagement through the MDBs represents an important channel of U.S. development assistance in both a resource flow context as well as a strategic context.



U.S. support focuses on leveraging MDB assistance to promote private sector-led growth. This is done by:

- Expanding the scope for creating and financing private enterprise;
- Promoting efforts to improve country business climates in ways that remove barriers to entry, both domestic and international;
- Fostering trade liberalization and helping developing countries integrate with the global economy; and
- Increasing the effectiveness of MDB support for infrastructure critical to growth, especially by catalyzing private sector investment and public-private partnerships.

Among the key reforms that have recently been implemented with strong U.S. backing are Results-Based Country Assistance Strategies. These strategies have now become the standard at most MDBs. Individual public sector project proposals and some private sector project proposals -- including all private sector project proposals at the African Development Bank (AfDB) -- now include a logical framework for measurable results. The International Development Association (IDA) and the AfDB have taken new measures to track both country level indicators, including indicators of debt repayment capacity and progress towards certain Millennium Development Goals, as well as Bank level, externally-measured performance indicators designed to assess Bank contributions towards country progress.

The top U.S. policy priority at the MDBs is to fight corruption through implementation of reforms at both the country and institutional level. The fight against corruption is receiving increased global scrutiny. The United States supports World Bank President

Paul Wolfowitz's direction in this overarching fight against corruption and is encouraging the heads of the other MDBs to launch equally vigorous efforts.

In 2001, President Bush announced a new grants initiative, calling on the MDBs to provide 50 percent of assistance to the poorest countries in the form of grants. Significant advances towards this goal have been achieved in recent years. As a result of strong U.S. leadership in the Fourteenth Replenishment of the International Development Association (IDA-14), donors agreed to determine eligibility for grant assistance on the basis of debt vulnerability. This new formulation represents a significant step in ending the lend-and-forgive cycle of development assistance, as 47 countries (out of 62 eligible) will receive grant financing from IDA, of which 42 countries will receive 100 percent of their IDA assistance in the form of grants. The AfDB agreed to adopt this approach, with 27 countries (out of 38 eligible) now expected to receive 100 percent of AfDB assistance in the form of grants.

To break the cycle of lend-and-forgive assistance, the United States believes there needs to be a cleaning of the balance sheets so that future generations in the poorest countries can work to achieve higher economic growth without the heavy burden of unsustainable debt. To support this objective, in 2005 President Bush proposed a complete write-off of all World Bank, African Development Bank, and International Monetary Fund concessional debt to qualifying Heavily Indebted Poor Countries (HIPC). In June 2005, the United States and other G8 countries launched a comprehensive debt relief package for the poorest countries. Over time, 42 countries are projected to receive up to \$60 billion in debt relief as a result of this landmark initiative.

### **Millennium Challenge Corporation**

The Millennium Challenge Corporation (MCC) is managed by a Chief Executive Officer (CEO) appointed by the President and confirmed by the Senate. MCC is overseen by a Board of Directors, composed of five government and four non-government members. The CEO is assisted by a Deputy CEO, a Chief of Staff, and six Vice Presidents for Operations, Accountability, Policy and International Relations, Congressional and Public Affairs, General Counsel, and Administration and Finance.

Close coordination with USAID and other U.S. government agencies both in the field and Washington is required under the Millennium Challenge Act. The inclusion of the heads of State, Treasury, USAID, and USTR on the MCC Board helps ensure coherence between MCC and other U.S. development activities. MCC briefs staff of Board agencies regularly on MCC developments and seeks their feedback. MCC discusses country-specific issues with a broad spectrum of U.S. agencies to gain expertise and ensure coordination. MCC also participates in the interagency Development Policy Coordination Committee chaired by the Undersecretary of State for Economic, Business and Agricultural Affairs.

The Millennium Challenge Account (MCA) is designed to promote sustainable economic growth and reduce extreme poverty. The MCA is based on a number of basic lessons learned by the development community over the last half century:

- *Good policies support economic growth, reduce poverty, and make assistance more effective.* The MCC works with poor countries that have already demonstrated they perform better than their peers as measured by independent indicators in three broad categories: ruling justly, investing in the health and education of their people, and encouraging economic freedom.
- *Country ownership is crucial for development.* MCA countries select their own priorities and develop and implement their own programs for MCA assistance in consultation with civil society and the private sector.
- *Success is measured by results, not inputs.* MCC and its partners agree on objectives, targets, and indicators for measuring success in a Compact that also defines responsibilities and ties disbursements to performance.

By linking country eligibility to performance, the MCC provides an incentive for policy reform. MCC reinforces this incentive through a Threshold Program, which offers assistance to help countries address specific areas of policy weakness identified in the MCA selection indicators so they might qualify for the MCA in the future.

#### **E. Inter-Agency Coordination**

In Washington, policy is coordinated through formal interagency meetings often involving agency heads or their deputies. In addition to the Directorate of Foreign Assistance, the Development Policy Coordination Committee (PCC) serves as the primary interagency body for creating development policy. Country programs are coordinated through a mechanism that involves formal annual program and budget reviews in Washington and field level coordination at the Embassy level. The locus of leadership in Washington rests with the Department of State playing a major coordinating role. In the field, the U.S. Ambassador and the Country Team exercise leadership, with the USAID Mission Director often taking a lead role in economic and development assistance policy and program implementation.

In making development, along with diplomacy and defense, a major component of U.S. foreign policy, the 2006 National Security Strategy made closer coordination between the Department of State and USAID necessary. Even before its release, State and USAID were working to improve coordination via a joint strategic planning process, completing the first Joint State/USAID Strategic Plan in 2003, and establishing a Joint Management Council (JMC) to avoid duplication of management services. The JMC oversees development of integrated structures to advance the goals of both institutions, support employees, and reduce costs by eliminating duplication of services. The Under Secretary for Management and USAID's Deputy Administrator co-chair the Executive Committee.

Considerable progress has been made in eliminating duplication of services. At JMC direction, State and USAID are using Enterprise Architecture methodology to systematically examine the business functions of both organizations, determine what processes can be performed more effectively, and implement necessary changes. State

and USAID have also made improvements in the area of information technology (IT), including instituting joint financial systems and communications. The agencies are collaborating on a joint IT Strategic Plan that will serve as a blueprint for future IT investments.

State and USAID budget and planning cycles are being synchronized further. Work is underway on a joint planning system to be implemented in the near future. State and USAID have developed requirements for the Joint Assistance Management System, which will provide a unified grants management application across both organizations. In the area of shared services overseas, the JMC has an ongoing results-oriented program that has thus far covered unifying the housing pool, warehousing, motor pools and motor vehicle maintenance, leasing and short-term-lease maintenance, and expendable property consolidation. This program may expand to include customs and shipping, expendable supplies, travel and transportation.

There are many other examples of both formal and informal interagency coordination in carrying out U.S. foreign development assistance. For example, the Department of the Treasury is responsible for interagency coordination on all matters relating to the operations of the MDBs. With respect to proposed MDB investment projects and adjustment programs, Treasury hosts a weekly meeting of the Working Group on Multilateral Aid in which representatives from State, USAID, Commerce, and occasionally other appropriate agencies convene to discuss the costs and benefits of individual proposals. Treasury also consults and coordinates with appropriate U.S. government agencies in developing U.S. positions on broader MDB policy issues.

Mechanisms for interagency coordination are in place at the Offices of the U.S. Executive Directors (USEDs) located within the IFIs. These offices are routinely staffed by representatives of several agencies, including Treasury, State, and USAID. Staff in the USEDs' offices participates actively in the interagency coordination process with respect to both individual project proposals and broader policy issues.

## **F. Public Affairs**

State/F is drafting a "Global Communications Plan 2006-2008 for the Reform of U.S. Foreign Assistance and USAID." The plan includes a situation analysis, imperatives for reform, the reform framework, communicating reform, and a communications action plan. USAID is a key partner and implementer in the reform effort and the DFA/USAID Administrator expects USAID to communicate the reform to a varied audience.

The goal of the plan is "to communicate the role of United States foreign assistance in building and sustaining democratic, well governed states that will respond to the needs of their people and conduct themselves responsibly in the international system." USAID's communication objectives include: helping to explain and support foreign assistance reform within USAID and to USAID stakeholders; raising the profile of foreign assistance within the interagency context; and realigning communication plans to support the transformational diplomacy goals and the five priority objectives at the USAID mission and bureau levels.

The target audiences for communicating foreign assistance reform are:

- within USAID -- civil servants, foreign service officers, foreign service nationals, etc.;
- external stakeholders -- Congress, NGOs, private sector, think tanks, interagency, ethnic diasporas, contractors, etc.; and
- citizens of developing and partner nations.

USAID supports State Department and White House daily press briefings and provides extensive presentations and materials on specific issues such as U.S. assistance to Sudan or reconstruction in Iraq. Press releases, fact sheets, and press guidance are issued daily via email to targeted groups that include the press corps, influential officials, think tank representatives, academic communities, NGOs, PVOs, international organizations, and bilateral partners. USAID's website ([www.usaid.gov](http://www.usaid.gov)) provides press information, speeches, testimony, and other information in one easily accessible place for both media and the general public. The website includes a "Telling Our Story" section—a searchable database of vetted USAID success stories from throughout the developing world.

As events evolve around the world, USAID reports on major mission-critical programs through publications such as *Afghanistan Reborn*, *A Year in Iraq*, and *Tsunami Relief*. Strategy reports, policy papers and guidelines, and analytical discussion papers outline USAID's broad priorities and objectives, explain the approaches the Agency uses in attaining its goals, and synthesize current thinking on important foreign aid issues. USAID's monthly employee-oriented newsletter, *FrontLines*, provides updates and information about USAID's global programs for a wide readership.

USAID hosts public events such as conferences, seminars, or exhibits—sometimes jointly with think tanks, Congress, or the private sector—to roll out new publications, discuss major issues, or highlight USAID's accomplishments. The Agency manages public liaison activities aimed at educating Americans about its role, mission, and programs, and provides detailed strategic communications advice and consultation to Washington and overseas missions.

In 2004, USAID launched a major new Development Outreach and Communications (DOC) global training initiative to broaden understanding of U.S. development aid worldwide. Under DOC, USAID seeks to integrate a cadre of trained professionals into its missions to support strategic and tactical communications efforts. Targeted regional training workshops and consultations are held annually to sharpen the ability of new and existing DOC specialists to tell USAID's story. USAID's publications and identity (branding) program help to tell its story around the world.

## **II. MANAGEMENT**

### **A. Results Based Management**

The Government Performance and Results Act of 1993 (known as GPRA or "the Results Act") establishes Managing for Results and the use of strategic planning, monitoring and evaluation as the way all U.S. government business should be implemented. The Results

Act included an extended schedule for implementing the various components. Beginning with fiscal year 1999, agencies have developed annual performance plans in parallel with their annual budget requests to Congress. The Government-wide performance plan is submitted as part of the President's budget.

As a way to assess the Federal government's program performance under GPRA and improve programs areas when needed, the Office of Management and Budget created the Program Assessment Rating Tool (PART). A PART review helps identify a program's strengths and weaknesses to inform funding and management decisions aimed at making the program more effective. The PART looks at all factors that affect and reflect program performance including program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results. Because the PART includes a consistent series of analytical questions, it allows programs to show improvements over time, and allows comparisons between similar programs.

The annual State-USAID Joint Performance Plan, which is submitted to Congress with the President's budget request, includes performance results on foreign assistance programs. At USAID, results-based management has been used for two decades to great effect. The term "managing for results," used by USAID since 1996, is one of three guiding principles announced in the President's Management Agenda in 2001. Accountability for results is one important area regulated by federal law (GPRA).

The Results Framework followed by USAID comprises a process in which missions define the desired results in a timeframe defined in its Strategic Plan Missions, then quantify the results and measure the outcomes using defined performance measures as stated in the Agency's Automated Directives System (ADS) chapters 201-203. Accordingly, USAID defines and organizes its work around the outcomes it seeks to achieve. This means making intended results explicit; ensuring that proposed results are considered worthwhile by partners, customers, and stakeholders; and organizing USAID's daily work and interactions to achieve results as effectively as possible, both in Washington and in the field.

This approach requires that results be measured accurately. Doing so, however, entails accountability and transparency of both the host-country government and project implementers. Hence USAID employees, particularly field staff, work continuously with host-country counterparts to promote needed policy or legal reforms, collaborate with other donor organizations to carry out surveys and assessments, and actively monitor the work of project implementers to ensure that progress is being made and planned outcomes achieved.

Each year, performance is reported through annual reports. Senior manager assessments are tied to this performance. USAID's Inspector General also conducts performance audits of random missions each year. USAID routinely monitors results at the program, project, and country levels. These results are aggregated and reported in annual performance reports to Congress. The accumulated data not only assists field and headquarter units to better manage for results, the data also verifies the attribution of these results to U.S. assistance efforts.

Some examples (see below) are based on reports aggregated from various country programs. These examples provide context to program outcomes and demonstrate the level of specificity regularly required by, and delivered to, U.S. policy makers and senior development assistance program managers.

- Exports grew \$21 billion 2004 to 2005 in 19 countries where the impact of USAID trade assistance (2005) can be measured by national level exports.
- Transactions of USAID-assisted firms with U.S. and other foreign firms (2005) in 25 countries was \$613 million.
- USAID microenterprise assistance made possible 4.5 million loans valued at \$3.5 billion (2005) in 39 countries, 75 percent of which went to women, and for which the average percentage of loans on schedule for repayment was 98 percent.
- Energy services access increased to 48 million people between 2004 and 2005 as a result of USAID assistance.
- Safe water supplies that meet sustainability standards improved for 8.2 million people in 19 countries where USAID implemented programs (2005).
- In 10 countries, 1.8 million farmers got secure land tenure in fiscal year 2005 as a result of USAID assistance.

For its part, the Millennium Challenge Corporation's draft strategic plan links to its annual corporate goals and guides division and individual performance plans. MCC's mission is to: "reduce poverty by supporting sustainable, transformative economic growth in developing countries which create and maintain sound policy environments."

It aims to achieve this through its strategic goals:

1. Achieve sustainable transformative development;
2. Support development of sound policy environment for economic growth and poverty reduction in the developing world;
3. Advance international development assistance practice by continually improving MCC's operational effectiveness; and
4. Build MCC's capabilities to achieve its primary strategic goals.

Measures include reduction in poverty incidence; change in GDP per capita and in Human Development Index ranking; improvement of candidate threshold and eligible countries on MCA indicators and internal measures of effectiveness.

## **B. Evaluation**

From its inception in 1961, USAID has placed high importance on evaluations and was one of the first government agencies to develop a comprehensive evaluation system. The Foreign Assistance Act of 1961, as amended, made explicit the expectation that USAID would conduct evaluations. In contrast to many multilateral and bilateral donor agencies, USAID's evaluation system follows its decentralized management structure.

Against a backdrop of managing for results, evaluations build on the Agency's monitoring data. This approach allows the system to respond to a variety of information needs of managers at different organizational levels. USAID does not prepare a multi-year evaluation strategy because evaluations are triggered by management needs for information. USAID-conducted evaluations have the primary purpose of assisting program managers at all levels in making well-informed programmatic decisions. The resultant system is problem-based, question-driven, and needs-oriented. Mid-term and final evaluations are not required for every activity. However, all major USAID programs must be evaluated at least once.

Recently, USAID has launched an initiative to revitalize evaluation. This has included several actions to further strengthen the capacity to prepare valid and reliable evaluations. Among these has been a training program for Evaluation Officers as well as new guidance, and development of appropriate methods to evaluate programs according to policy framework categories. As U.S. foreign aid addresses a number of distinct goals and concerns; each requires distinct guiding principles and approaches for measuring results. Evaluation methods are to be consistent with the strategic approach undertaken in each country.

USAID's division of evaluation's responsibilities between Washington and the field contrasts sharply with more centralized approaches. Monitoring and evaluation are not external to or separate from the operations of the unit implementing a program. Nor is monitoring and evaluation solely the responsibility of a central office. Rather, each of the major organizational units has responsibility for monitoring and evaluating activities commensurate with their information needs. Indeed, monitoring and evaluation are considered core skills for all USAID staff that are managing development assistance programs.

In fiscal year 2006, USAID's operating units will conduct about 400 evaluations. Field missions are projected to undertake the largest number of evaluations each year. The Washington headquarters annually undertakes a much smaller number of evaluations to complete and complement the overall effort. Since USAID works cooperatively with host country governments and local counterparts, requirements for evaluation extend to the host countries receiving development assistance, as specified in loan or grant agreements. Moreover, adequate monitoring and evaluation depend on the cooperation and participation of host country and recipient organizations.

The Millennium Challenge Corporation's emphasis on results requires building in evaluation from the beginning of each MCA program. Countries with MCA programs are responsible for developing and implementing comprehensive monitoring and

evaluation (M&E) plans to track progress towards the identified country objectives. MCC encourages countries to use existing data sources and monitoring frameworks whenever possible and appropriate for measuring program results.

MCC also supports capacity building for M&E and, in several eligible countries, has supported national statistics agencies and data collection that is useful for both host country institutions and other donors in tracking poverty reduction programs. Expenditures for baseline data are often the first MCC funds disbursed to a country. Each Compact contains a dedicated budget line for monitoring and evaluation ranging from 2-5 percent of the Compact value. Evaluation of the results of each MCA Compact will be done by an independent agency at the conclusion of each Compact.

### **C. Human Resources**

In January 2006, the Secretary of State announced a number of steps the State Department would undertake to globally reposition personnel resources to improve the United States' ability to achieve U.S. transformational diplomacy objectives. These efforts include:

- 1) Deploy more people on the ground in key countries in transformation and ensure that they interact not only with government but also with civil society, business, and other sectors.
- 2) Expand diplomats' skills -- including emphasizing economics and development -- to permit them to participate not only in the analysis of policy and the shaping of outcomes, but also to work with other U.S.-managed programs.
- 3) Enhance diplomats' abilities to work jointly and effectively with other federal agencies, including USAID and the military, at critical intersections of diplomatic affairs, economic reconstruction and military operations.

USAID's Strategic Management of Human Capital goal is to build, sustain, and deploy an effectively skilled, knowledgeable, diverse and high-performing workforce aligned with the Agency's strategic objectives. To this end, USAID implemented its Human Capital Strategic Plan, which covers fiscal years 2004 through 2008, in August 2004. The plan emerged from USAID's Business Transformation Initiatives, and is directly aligned with the President's Management Agenda<sup>7</sup> (PMA), which has made Strategic Management of Human Capital its lead initiative.

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<sup>7</sup> It is commonly referred to as the PMA Scorecard. Each initiative is scored for status and progress using a green, yellow and red scoring scheme, with green being the highest score and red the lowest. Every fiscal quarter agencies are scored by OMB and OPM on the Strategic Management of Human Capital and the scorecards are published.

The plan also aligns with the Human Capital Assessment and Accountability Framework (HCAAF)<sup>8</sup>, which provides Federal agencies with the standards of success for five core areas of Strategic Management of Human Capital. [The HCAAF was created by the U.S. Office of Personnel Management (OPM) in collaboration with the General Accountability Office (GAO) and the Office of Management and Budget (OMB)].

Accomplishments include the creation of a comprehensive Workforce Planning and Analysis process integrated with the strategic budgeting process that predicts future workload and staffing needs, identifies workforce gaps and develops solutions to close the gaps. At its center is the Workforce Planning Model, which can predict future staffing needs by category, type and location. A dynamic, future-oriented tool that considers the entire workforce (U.S. Direct Hire-USDH, Foreign Service Nationals-FSN, and other non-USDH), the Workforce Planning Model generates future needs based on the business model or scenario provided. Thus, it is capable of modeling several scenarios using a set of reasonable assumptions about USAID to project staffing needs three to five years in the future.

A basic assumption of the model is that USAID needs to rationalize its staffing, make better use of its locally employed staff, and rebuild its USDH staff. Other assumptions and factors contained in the model are: program funding; location and size of missions; the Agency business model; ratio of technical staff to program funds based on best practices; distribution of technical staff by location, category (technical area) and type (USDH, non-USDH); core mission staffing; regionalization; and consolidation at new embassy compounds.

USAID foreign service officers (FSOs) are recruited for occupational slots, or backstops, that reflect their training and technical expertise. Each of these backstops falls into one of three categories: management, program operations and support, or technical.

Management backstops include mission director, deputy director, and program officer. These backstops lead strategic planning and program development across all sectors in which the mission works. They are responsible for developing and managing the country strategic plan and budget, coordinating program reporting, program-wide evaluation, donor coordination, and public outreach.

The twelve technical backstops for which USAID recruits include areas such as democracy and governance, disaster response, health, private enterprise, agriculture, environment, and education. Technical officers develop, oversee, manage, and evaluate programs and activities within a sector or sectors. They advise the mission director and staff on all matters involving sector policy and program operations; they work with host-country officials to identify aid priorities and collaborate on sector analyses and project designs as well as directing or advising the preparation of project documents.

USAID targets its hiring using an Agency-wide system that pinpoints current skill gaps and forecasts future needs. Most foreign service officers join the Agency through the

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<sup>8</sup> The HCAAF components are: Strategic Alignment; Workforce Planning and Deployment; Results Based Performance Culture; Talent; Leadership and Knowledge Management; and Accountability.

entry-level International Development Intern training program or the mid-level New Entry Professional training program. In addition, each year several Presidential Management Fellows (PMFs) come to USAID for two-year appointments that can convert to career positions.

Participants in these programs combine extensive classroom training with practical experience in different USAID areas; PMFs may complete assignments with other agencies as well. Even after their initial preparation is complete, USAID staff are encouraged to take advantage of opportunities for technical, leadership, and language training throughout their careers.

USAID continues to re-evaluate total staffing needs as it restructures its business model in fiscal year 2006 and beyond. The long-term plan to restructure the business model includes restructuring its overseas presence through greater regionalization, accelerated graduations from some countries, and consolidation of administration services with the Department of State – when and where it makes sense. USAID also plans to restructure Washington staffing to ensure efficient organizational capacity to support missions overseas and manage headquarters operations.

While many agencies are faced with a growing contingent of current employees nearing or at retirement age, USAID's circumstances are exacerbated because for a decade USAID hired well below attrition levels in order to live within its operating expense constraints. To deal with staff shortages, USAID created its Succession Planning Strategy composed of three distinct and complimentary initiatives: Development Readiness Initiative (DRI), Workforce Planning and Analysis processes (e.g., creation of the Workforce Planning Model), and Knowledge for Development (KfD).

These initiatives are designed to ensure that USAID has the right people with the right skills on a continuing basis, thus assuring the continuity of key USAID operations. Each initiative consists of several forward-looking stages (multi-year) to meet USAID's current and future needs. They address USAID's human capital challenges of acquisition, development, deployment and retention of talent as well as leadership capacity and diversity.

The Millennium Challenge Corporation draws staff from a broad set of sources, including agencies of the U.S. government, non-governmental organizations, business, foundations and academia. When it is fully staffed, MCC will have approximately 300 employees. Roughly 32 percent will be working on country specific programs, 15 percent will provide functional expertise, and 21 percent will be engaged in monitoring, evaluation, and accountability. MCC outsources many of its administrative functions. To maintain flexibility, MCC often contracts for expertise in areas of country interest to augment its permanent staff.

Department of State staff engaging in development assistance activities consists of civil service experts and foreign service generalists with a broad professional background in development policy and program formulation and implementation. Because of the

priority given to development in our National Security Strategy, State is seeking to improve the skills of those personnel and better manage their deployment.

The Department of Treasury's Office of International Affairs (IA) has a staff of approximately 200 economists and political economists drawn from academia, other U.S. government agencies and the private sector. Roughly one-third of the staff is focused on regional issues with the remaining two-thirds working on a combination of functional and institutional issues and management responsibilities. IA provides staff to fill advisor positions within the Offices of the United States Executive Directors that are located in the IFIs as well as several Treasury financial attaché positions that are located in key field locations internationally.

## **CHAPTER 5: FIELD OPERATIONS**

### **I. FIELD ORGANIZATIONAL STRUCTURES**

The creation of the Office of the U.S. Director of Foreign Assistance (State/F), which oversees Department of State and USAID foreign assistance programs, is one of the first steps of an evolving process directed at better enabling the United States to plan, execute and monitor foreign assistance programs coherently. The goal is not to alter the highly successful country-focused approach the United States employs for executing its foreign assistance but rather to strengthen it. However, some processes currently in place will be modified, e.g., the introduction of integrated five-year U.S. country assistance strategies and annual operational plans.

The United States has consistently maintained that assistance programs must be adapted to country circumstances and shaped both at the macro level and sector-by-sector by country performance. Therefore, U.S. assistance programs have been highly decentralized, delegating significant authority and discretion to well-staffed field missions and country teams.

Another aspect of decentralization has been the doctrine that U.S. programs be developed in close collaboration with partners and in full consultation with the host government (except in those few cases in which the host government lacks commitment to development). U.S. field missions commonly develop close relationships with host country officials, indigenous voluntary organizations, think tanks, and the local business community, and the programs are often implemented in partnership with these local entities. Flexibility, however, is not infinite. Policy and legislation both constrain the terms associated with specific funding accounts.

USAID manages the vast majority of U.S. bilateral country level assistance. USAID's overseas units operate under decentralized program authorities (legal powers) that allow them to design and implement programs as well as to negotiate and execute agreements. These authorities are assigned to senior field officers in accordance with each officer's functions. For example, Mission Directors and principal officers are delegated authority to develop country strategic plans; coordinate with other U.S. government agencies; waive source, origin, and nationality requirements within limits for procurement of goods and services; negotiate and execute aid agreements; and implement programs including those for food aid and credit.

These delegations may differ from time to time and among missions, depending on the level and composition of staff, complexity of the program, etc. The changes being implemented by State/F are intended to improve coordination of U.S. assistance activities but not alter the underlying field structure and related delegations of USAID.

USAID missions assist the host countries based on a medium-term country assistance strategy, developed in consultation with the host country that includes clearly defined program goals and performance targets. The country strategies will be updated and reviewed annually as part of the operating plan process.

*Full field missions* usually consist of 9–15 U.S. direct-hire (USDH) employees, along with a varying number of other personnel including foreign service nationals (FSNs), personal services contractors, etc. While there is no fixed rule as to the number of staff per program area or strategic objective, these larger missions typically manage a program of four or more strategic objectives. *Medium-sized missions* (5–8 USDH) manage a program targeting two to four strategic objectives, and *small missions* (3–4 USDH) manage one to three strategic objectives. In all field missions, the largest staff component is the FSNs, which can represent 80 percent of the field-based staff in any mission. FSNs provide U.S. missions with a cadre of highly skilled personnel deeply familiar with local conditions. (*See list of Missions and Regional Support Missions appended to end of chapter.*)

*Regional support missions* (typically 12–16 USDH), also known as regional hubs, provide a variety of services in support of country programs. The hubs generally house a team of legal advisors, contracting and project design officers, and financial services managers to support small- and medium-sized missions.

In countries without missions but with aid programs, regional missions work with U.S. embassies, host-country representatives and contractor and NGO implementers to produce development results to strengthen civil society, head off conflict, combat epidemics, promote open societies, strengthen markets or improve food security. Regional missions also may have their own programs or strategic objectives to manage which are used to support multiple country programs.

USAID also has a strong array of technical staff located in Washington functional bureaus and offices that provide technical leadership and support to the Agency, and also implement programs in conjunction with the field missions. These include:

- The Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA)
  - The Democracy and Governance (DG) and Conflict Management and Mitigation (CMM) offices provide technical leadership, advance the state of knowledge through studies and assessments, and provide technical assistance to field missions;
  - The Office of Food for Peace (FFP) manages the PL 480 Title II account for U.S. Department of Agriculture food assistance directed and funded from Washington headquarters;
  - The Office of U.S. Foreign Disaster Assistance (OFDA) primarily administers the International Disaster and Famine Assistance (IDFA) account in cooperation with field missions in response to natural disasters and complex humanitarian crises;
  - The Office of Transition Initiatives (OTI) provides assistance directly to countries requiring OTI's short-term support in times of crisis and upheaval;

- The Bureau for Economic Growth, Agriculture and Trade (EGAT) provides technical leadership; advances knowledge; provides overall support on design, implementation, review, coordination and evaluation of worldwide activities in its areas of competence; and coordinates with regional bureaus on issues including the recruitment and assignment of technical personnel; and
- The Bureau for Global Health (GH) strengthens field operations, develops technical and program innovations, and provides technical leadership. New GH areas of technical emphasis center on the President's Malaria Initiative and avian influenza.

Resources supporting these bureaus and offices are integrated into country programs and support field missions with pre-positioned contracts and agreements. That allows for quick response, increased access to expertise and surge capacity. This also facilitates sharing of best practices among country assistance programs and helps integrate host country technical staff into global networks.

USAID works with host country governments, institutions, and organizations to define programs and objectives. USAID also works with a wide variety of implementing partners in the field, recognizing the significant role the latter play in providing humanitarian and development assistance. USAID partners include:

- *Private and Voluntary Organizations (PVOs)*: Nonprofit groups operated primarily for charitable, scientific, educational, or service purposes – both international and U.S.-based – that conduct overseas program activities. Examples include CARE, WildAid, Save the Children, and Catholic Relief Services.
- *Local and regional nongovernmental organizations (NGOs)*: Voluntary nonprofit organizations based in developing countries or regions in which USAID operates. Examples include Bosnia's Center for Civic Cooperation, Guatemala's Genesis Empresarial, Sri Lanka's Multi Diverse Community, and the Forum for African Women Educationalists.
- *Public International Organizations (PIOs)*: These organizations have members that are chiefly governments (including the United States). Examples include UN agencies, the Committee of the International Red Cross, the World Bank, and regional development banks.
- *Contractors*: Private, for-profit companies with legally binding agreements to supply property or services under a specified scope of work.
- *New partnerships*: The Office of Global Development Alliances (GDA) coordinates agreements between companies, nongovernmental organizations, and government agencies that maximize the benefit of aid provided to developing nations. These alliances bring significant new resources, ideas, technologies and partners to bear on developing country problems.

A close relationship between U.S. official and partner field staffs and country representatives is essential for understanding a country's problems and priorities,

choosing appropriate objectives and strategies, and effectively designing and managing the resulting programs. U.S. staff members working with host-country partners are involved significantly in working through policy issues, negotiating program content and developing implementation arrangements. U.S. officials, partners and host-country representatives also monitor program progress by visiting sites; reviewing implementers' reports; conducting frequent meetings with public and private sector counterparts and the donor community; and performing formal assessments and evaluations.

Missions are, therefore, in a position to adjust plans, resource flows and program components to resolve implementation bottlenecks and react quickly to changing circumstances. U.S. official staff and partners report regularly to Washington, including to the U.S. Congress, as stipulated in law and policy with respect to finances, performance, results and on specific programs as requested.

One of the strengths of the USAID model is the considerable interaction that takes place with host governments and nongovernmental and private sector entities in alignment with host-country priorities. USAID-supported programs are derived from consultations with partner governments and civil society in line with national strategies, including poverty reduction strategies (PRSs). The programs are based on mutual agreement and in many cases USAID funds are obligated through bilateral "Strategic Objective Agreements" (SOAGs). These SOAGs are obligating documents for joint programs with government ministries, agencies, and others and may involve collaboration with other donors.

USAID, as a matter of policy, informs its programming decisions in part based on what other donors are doing and looks for complementarities and comparative advantage to address unfilled needs. SOAGs use a variety of modes and mechanisms by mutual agreement between USAID and the host country. USAID field missions have hands-on engagement with implementation and often promote the use of formal coordinating mechanisms through joint ministerial, civil society organizations/nongovernmental organizations and contractor Strategic Objective (Implementing) Teams.

Most country-level program funding is governed by the bilateral SOAGs between the U.S. government and the host government. On average, about two-thirds of an average year's<sup>9</sup> bilateral assistance is channeled through intermediaries, using direct U.S. government contracts or grants. USAID is making a concerted effort to broaden its use of implementing mechanisms, where appropriate, to make better use of local capabilities and promote greater local ownership.

- By federal statute, grants to implementing agencies or "grantees" to support their programs have minimal strings attached; oversight is limited. However, USAID evaluates program proposals to ensure that NGOs have appropriate expertise, relevant past performance and sound financial systems in place before awards are made. Grantees must report to USAID regularly on the status of their activities,

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<sup>9</sup> "Average year" refers to the size of the annual appropriation. However, because many implementing mechanisms commit multiple years of appropriated funds to a single instrument, the appropriation level can only be used for comparison.

and grants are subject to financial audit. The results of the grantee's program must assist the United States in achieving its overall development assistance goals.

- For contracts, USAID staff direct the implementation of all aspects of a program. Contract management requires that the exact type, scope, and location of the program be defined by setting out the requirements in a statement of work, which is typically developed by USAID in consultation with host country partners, but sometimes developed by the partners with less USAID input. In competing contracts, proposals are evaluated with specific criteria that may be jointly developed. Awards are based on both technical merit and cost. Funding is normally in installments (tranches) from USAID to the vendor. Depending on the type of contract, and normally done through consultation with the host country partner(s), individual tasks may require specific identification and approval.
- USAID has identified over 30 implementing mechanisms or instruments at its disposal. Although less commonly used, USAID can make cash transfers into the general budget, sector-specific budgets, line items in the budget or segregated accounts such as common baskets. Due to the high standards of accountability required of the recipient in most cases, only the line item transfer has been used much in recent years. Other instruments that serve to develop state and/or non-state local capacity and have been in limited use include local currency accounts (including endowments and foundations), commodity import programs, host country contracts and grants, fixed amount reimbursement, and capitalization of intermediate credit institutions.
- USAID has not made a concerted effort to track the field's use of delegated cooperation modalities (whether USAID is the recipient of or provides funds to another donor for implementation), but anecdotal evidence – and early responses to the Paris Declaration Baseline Monitoring Survey – suggests that field missions are increasingly participating in these arrangements.

The State Department's Bureau of Population, Refugees, and Migration (PRM) relies on regional field staff to advise and monitor implementation of humanitarian programs for refugees and conflict victims. PRM Refugee Coordinators are located in U.S. embassies and interest sections in Abidjan, Accra, Addis Ababa, Amman, Baghdad, Bangkok, Belgrade, Bogota, Cairo, Geneva, Havana, Ho Chi Minh City, Islamabad, Kabul, Kampala, Moscow, Nairobi, and Tbilisi. A PRM position in Brussels covers all Bureau issues with the European Union.

These regional Refugee Coordinators work closely with Washington-based program officers to monitor the financial and program performance of PRM's international partners, and ensure that U.S. humanitarian assistance meets international standards, such as the Sphere guidelines, which lay out minimal standards in food and nutrition, water and sanitation, shelter, and health sectors. They also play a key role in field coordination with host government activities and other donor governments.

USAID, the Peace Corps, and the Millennium Challenge Corporation (MCC) tend to operate their foreign assistance programs with overseas staff. MCC currently plans to have on average two American and two local employees in each Compact country. The departments of Defense and State expand their direct field development assistance presence in countries where it is warranted, notably Iraq and Afghanistan. Other U.S. departments and agencies (Health and Human Services, Treasury, etc.) rely on minimal overseas presence.

## **II. NONGOVERNMENTAL ORGANIZATIONS**

The importance of supporting civil society organizations, including national and international organizations, is recognized in numerous policy documents, including: the State-USAID Joint Strategy; USAID's Fragile States Strategy; USAID's Conflict Assessment tool; State-USAID Common Indicators; and in many State and USAID Bureau and Mission strategic plans. Civil society organizations continue to be central to U.S. foreign assistance programs. Partnering with nongovernmental organizations is an important assistance mechanism in difficult environments where the government may be a difficult partner or lacks capacity itself to implement programs. In more accommodating environments, building the capacity of civil society remains an important objective of foreign assistance.

To ensure the most effective delivery of foreign assistance in the field, USAID works with national and international NGOs. USAID also promotes partnerships among NGOs. NGOs are supported through a variety of funding mechanisms that may be managed centrally in USAID Washington or in USAID field missions. Criteria for mechanism selection depend upon the legal status of the NGO and the strategic priorities of the funding office or mission. The most common funding mechanisms for NGOs are assistance instruments, such as cooperative agreements and grants. Typically, cooperative agreements with NGOs are multi-year, although agreements for shorter time periods are also implemented. Other mechanisms might include endowments, Title II Food, credits, or GDA Collaborative Agreements.

The level of financial independence and sustainability varies significantly among USAID's NGO partners. USAID encourages funding diversification among its partner NGOs to increase their longer-term financial sustainability and reduce their dependency on public funds. As a strategy for financial sustainability, some USAID grant programs such as matching grants, NGO strengthening, and child survival programs require cash or in-kind matches by recipients. Programs such as these, as well as USAID's Office of Global Development Alliances, promote alliances among donors, NGOs and private sector firms. This approach leverages public funding many times over.

The criteria by which an NGO is monitored and evaluated varies depending on the technical sector and the objectives of the funding office. Recent evaluations of activities implemented by NGOs, an indirect measure of their performance, are available on the USAID website through the Center for Development Information and Evaluation. All NGO grants are subject to U.S. Government financial audit requirements.

The Department of State's support of nongovernmental organizations is essential for the ability of State entities to execute programs and address needs, to make efficient use of funds, to have partners on the ground that understand local conditions and to ensure productive capacity building. Support for indigenous NGOs helps strengthen embryonic civil societies in many developing countries. In situations where the United States does not support a foreign government (e.g., Iran, Belarus, Burma), NGOs are an alternative avenue for assistance.

NGOs, whether U.S.-based, international, or indigenous, are required to adhere to U.S. accounting standards, often limiting the ability of some indigenous NGOs to play a role without a U.S.-based partner. The Department of State does not have rigid standards for determining whether to use local or U.S. NGOs, a decision that depends mostly on how to effectively use available funds. Although not prohibited from providing direct bilateral assistance to foreign governments, most Department of State units prefer to use U.S.-based or international NGOs as a conduit for programming or to provide funding for multilateral institutions that fund local and international NGOs. All State Department bureaus comply with the sanction and loan default status of foreign governments, which can prohibit direct assistance to governments but not to NGOs working in those countries.

The State Department's Bureau of Population, Refugees, and Migration (PRM) partners with over 40 NGOs each year to fill critical gaps in protection and humanitarian assistance for refugees and conflict victims overseas. In fiscal year 2005, PRM gave \$92.3 million, or 12.3 percent of its budget, to NGO partners (generally international NGOs with extensive experience implementing programs for refugees.) NGOs coordinate with multilateral organizations to bring key expertise and technical capacity to humanitarian programs for refugees: they have pioneered important efforts to prevent and respond to gender-based violence, provide HIV/AIDS services, and address the mental health needs of refugees, among other innovative programs.

The use of indigenous NGOs allows the Department of State to meet multiple objectives, including strengthening the role of civil society organizations and carrying out specific tasks outlined in each grant. The United States, for example, has been the leader in pushing nongovernmental and civil society organizations to become involved in the fight against HIV/AIDS. Approximately 82 percent of all implementing partners in fiscal year 2005 were indigenous organizations; of these, 80 percent were nongovernmental agencies. The New Partners Initiative, launched by President Bush on World AIDS Day 2005, has helped the President's Emergency Plan for AIDS Relief (PEPFAR) expand and diversify its partner base. The Office of the Global Aids Coordinator (S/GAC) has successfully pushed for civil society participation on the Global Fund board, the UNAIDS Program Coordinating Board and in country-level bodies.

The Middle East Partnership Initiative (MEPI) gives preference to indigenous NGOs and encourages partnership with U.S.-based NGOs. Other offices use a mix of indigenous and U.S.-based NGOs. The Global Trafficking in Persons (G/TIP) office encourages U.S. NGOs to partner with foreign NGOs in an effort to build national capacities and to

identify foreign NGOs supportive of U.S. policies and program goals. The Bureau of Democracy, Human Rights and Labor (DRL) grants funds to U.S.-based NGOs but encourages indigenous NGOs as sub-grantees and partners within larger grant programs.

There are a variety of approaches to monitoring NGOs. Desk monitoring (e.g., monitoring reports and performance indicators) is most common, while monitoring by site visits might be limited due to funding and staffing constraints. For example, MEPI monitors its programs via desk monitoring, site visits, performance review, evaluation, and impact assessment. This includes assessing whether the implementer is exercising good stewardship of U.S. funds and whether funds are being used for intended purposes.

The monitoring process may also include a review of technical and legal compliance (accordance with U.S. laws), and a performance review. DRL performs semi-annual reviews with all their grants officer representatives to evaluate whether individual programs are meeting their long and short-term goals.

For many Department of State offices, reviews and monitoring are included as part of a contractual obligation. Some monitoring is done for accounting purposes and to measure effectiveness. However, for some organizations and projects, it is difficult to find consistent performance indicators that can be used broadly; most are on a project-by-project basis. State/F is leading the effort to put in place standard performance indicators for performance reporting.

Cited as a prototype for organizational decentralization, USAID has long held the operating philosophy that accountability standards are best maintained by adequately staffed overseas offices. Field-based decision making is practiced broadly and extends to funding for NGOs. Under State/F guidance, systems will be better integrated for planning, implementation and monitoring.

### **III. AID EFFECTIVENESS**

#### **A. U.S. Government Implementation of the Monterrey Consensus**

Making U.S. assistance more effective is a force behind the ongoing strategic realignment of U.S. foreign assistance. The 2002 U.N.-sponsored International Conference on Financing for Development in Monterrey established parameters for a new era of successful global development. Development assistance was discussed in a comprehensive way to focus on the role of trade, domestic resource mobilization, foreign direct investment, and debt relief not just the amount of traditional donor assistance.

The United States is fully committed to making aid more effective and to helping developing country partners achieve development results through wise use of all available resources. This is the reason that the United States endorsed the 2005 Paris Declaration on Aid Effectiveness. The commitments in the Paris Declaration reinforce the guiding principles for development and reconstruction assistance: country ownership,

local and host country capacity, sustainability, selectivity, assessment, results, partnership, flexibility, and accountability.

The Secretary of State's reforms in support of transformational diplomacy and development are directly aimed at improving U.S. aid effectiveness. The U.S. Congress and the American taxpayer, like their counterparts in other countries, demand greater aid effectiveness and clearer results, especially given the near tripling of U.S. assistance levels in the last five years. The United States strongly advocated for the inclusion of managing for results in the Paris Declaration.

Since March 2005, the United States has taken several concrete actions to further the implementation of the Paris Declaration:

- The USAID Administrator announced, in an April 2005 communication to the field, endorsement of the Paris Declaration and the importance attached to advancing aid effectiveness.
- Aid effectiveness and the Paris Declaration on Aid Effectiveness were included in the agenda of the worldwide USAID Mission Directors' Conference held in Washington D.C. in May 2005. The Administrator directed USAID field managers to be proactive and participate in local implementation processes.
- The United States participated actively in the Working Party on Aid Effectiveness (WP-EFF) and its Joint Ventures in refining and setting targets during summer 2005. In fall and winter 2005, the United States continued with work of the Joint Ventures on Monitoring the Paris Declaration (JV-MPD) on Procurement and on Public Financial Management to hone definitions, clarify and strengthen methodologies, and determine work plans.
- USAID appointed a recently-retired USAID officer to the JV-MPD to help design and carry out the survey work and access the process. USAID missions in Senegal and South Africa served as co-leads in pilot testing the survey.
- Many informal communications have been sent to field missions with updates on the final Paris Declaration targets and monitoring plans, along with tailored guidance to individual field missions as they put the plans to work. This has happened in Vietnam, Ethiopia, Zambia, Senegal, South Africa, Uganda, Nicaragua, Cambodia and Ghana. The United States has signed on to several joint country assistance strategies (e.g., Uganda, Ghana, and Zambia) and is actively negotiating on others.
- USAID field missions are actively participating with other donors in partner country-led action planning on various aspects of the Paris Declaration. Some USAID missions have signed on to resulting memoranda of understanding and/or Compacts for local action plans (e.g., Vietnam). Those that have not been able to sign such agreements for legal or other reasons are finding ways to support their implementation in concert with other donors.
- USAID has made a major change to its procurement sourcing guidance, allowing local and developing country sources worldwide to compete for foreign aid procurements, as a general rule.

- USAID has stepped up its efforts to implement the DAC recommendation on untied aid -- and to expand beyond the recommendation. This has significantly improved reporting. In 2005, the United States provided \$5 billion in untied bilateral aid, more than any other DAC donor country. But our reporting still misses a large portion of untied aid. USAID estimates that up to 75 percent of all U.S. foreign aid program funds are competed on an untied basis.
- USAID issued comprehensive guidance to field missions in March 2006 that was cleared by other U.S. Government agencies on implementing the Paris Declaration. This guidance reflected the detailed definitions and monitoring plans agreed to within the JV-MPD and the WP-EFF.
- The United States continues to have some reservations regarding use of country financial management and procurement systems not yet up to standard. However, USAID missions are assisting actively in strengthening local capacities and country financial and procurement systems. We are progressively using elements of country financial systems as these become more reliable. We also are exploring channeling more program funds through host government systems, where appropriate policies and accountability exist.
- The Millennium Challenge Corporation provides untied, multi-year grant assistance for programs proposed by partner countries in line with their own development priorities. The country, not MCC, has primary responsibility for overseeing implementation of the program. Country systems are used whenever adequate and best suited to effective program implementation. Otherwise interim arrangements are made with the partner country's full involvement. Procurement is done on the basis of international competitive bidding.
- Capacity development is integrated into MCC Compacts. Countries are encouraged to design programs to strengthen capacity development in harmony with that of other donor and government efforts. MCC encourages countries to make proposals that have a coherent thematic, regional or sector focus, recognizing that the impact of such program-based approaches are likely to be greater than a series of disparate projects.
- MCC has recently undertaken stepped up consultations with the DAC to see how it can further align and harmonize its in-country activities with the Paris Declaration now that a number of Compacts have been signed. MCC relies mainly on partner countries to ensure that Compact programs complement other donor activity, but MCC staff consults directly with other donors to ensure coordination occurs.

The United States plans to continue its efforts to further the implementation of the Paris Declaration to increase the effectiveness of its aid programs, better complement other donor programs and help partner countries achieve measurable development results.

## **B. USAID's Principles of Development and Reconstruction Assistance**

USAID's Principles of Development and Reconstruction Assistance emphasize aid effectiveness consistent with the ideas in the Paris Declaration. These principles were widely disseminated in early 2005 to all field missions, and promoted at the highest

levels. They are fundamental to the success of assistance as an instrument of U.S. foreign policy and national security. The principles are not a checklist, but a summary of the characteristics of successful assistance to achieve development objectives. The principles include:

*Ownership and Capacity Development* – USAID is expanding the depth and breadth of mechanisms it uses to implement programs beyond contracts and grants made directly by USAID to U.S. and non-U.S. institutions. USAID has identified 31 available implementing mechanisms ranging from direct contracts and grants to host-country contracts and grants to private sector credit and credit guarantees. With greater emphasis on host-country mechanisms, USAID is striving to better develop local capacity and establish ownership with the host country and its people.

*Partnership* – In addition to expanding implementation of USAID projects through host countries, USAID is reaching out to diaspora groups, new NGOs, including local NGOs, and younger audiences to build new partnerships for development. USAID also is expanding the collaboration and coordination within U.S. departments and agencies and among the various institutions that provide foreign assistance, such as the President's Global HIV/AIDS coordinator. The Office of Global Development Alliances has focused on partnering better with the U.S. business community.

*Sustainability* – The U.S. Expanded Framework for Foreign Assistance emphasizes long-term country transformation, not short-term project outcomes. Thus, USAID projects are directed at and lead to sustainable change. Scaling-up U.S. development assistance is undertaken in the context of both need and sustainability.

*Selectivity* – USAID selects country partners using a resource allocation model that is based on the principles that assistance is most effective where country commitment is the strongest, country need is the greatest, foreign policy priorities are the most pressing, and program performance is the most impressive.

*Assessment, Flexibility, and Results* – State/F has established a new planning process. Missions develop country strategy statements that define the general direction of the program. As projects are developed, best practices are adapted and local conditions are incorporated. To ensure flexibility, the strategy statement is reviewed annually through the Operational Plan. To ensure that results are being achieved, State/F has developed descriptors for all programs that are common across missions and, for each of these, a set of common performance measures for which targets are set. Success or failure in the achievement of targets figures into the budget-setting and actual resource allocation processes.

#### **IV. CROSS-CUTTING THEMES**

In general, cross-cutting themes such as gender, capacity development, and assistance and protection for vulnerable populations are fully mainstreamed into country strategies. For example, the integration of gender concerns throughout USAID's portfolio is a

shared responsibility. All program areas are expected to take into account the different ways that men and women contribute to and benefit from development interventions.

Policy requires, for example, that all USAID missions working in basic education assess the degree of educational disadvantage facing girls at the primary level. Where girls face significant educational disadvantages, the field unit is strongly encouraged to integrate cost-effective remedies to those barriers into its basic education programs. This policy reinforces an existing strong priority on gender equality in basic education. Similar priorities apply in other sectors. These themes are incorporated into five-year (integrated) strategic plans and annual operational plans.

USAID places strong emphasis on capacity development, which is essential to achieving transformational development. Capacity development comprises a range of interventions aimed at unleashing the ability of people, organizations, and society to manage their affairs successfully. The United States combines technical assistance, training, policy based grants, policy dialogue, and experimental learning to enhance host country capacity. The United States provides capacity development assistance to the public sector at national and sub-national levels, for line ministries and for central state functions. In addition, the United States provides capacity development assistance to the private sector and civil society responsive to the needs of the people.

Training is one aspect of the United States assistance to capacity development. Although long-term academic training in the United States has declined in the face of budgetary pressures, alternative sources in host countries and third countries have emerged, as have greater reliance on shorter-term training. Training remains a high priority and forms an essential component of most program efforts. In fiscal year 2005, nearly 380,000 received USAID-funded in-country, third-country and U.S. training – the second largest number trained by any U.S. Government entity after the Department of Defense.

The Department of State handles cross-cutting themes in a variety of ways. DRL has a number of gender specific programs, which are mostly on women's issues, and devotes resources where there is a need for this special emphasis. A cross-cutting approach enables entities to leverage a greater impact with a small amount of funds.

MEPI has a cross-cutting focus on capacity development, civil society, and democracy as a general theme throughout all programs. The Bureau of Oceans and International Environmental and Scientific Affairs (OES) places a high priority on governance and transparency and coordinates with USAID, the Environmental Protection Agency, and the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL). INL's Andean Counterdrug Initiative funds extensive alternative development programs in coca growing areas in addition to coca eradication and law enforcement programs. G/TIP sees the health side of trafficking, crime, corruption, structural reform and promotion of open markets as cross-cutting issues.

PRM focuses on several cross-cutting issues in its humanitarian response to refugees and conflict victims, including particular emphasis on protection, women, children, health,

capacity-building, sustainability, and coordination with other partners. For example, trafficking victims' reintegration projects often combine medical and psycho-social assistance, job-skills training in partnership with business partners, and small loans to facilitate longer-term economic empowerment for victims and capacity-building for stakeholders.

PRM's active participation in regional and multilateral migration dialogues provides the most effective way to assist governments in building capacity to increase the development of better migration management policies and practices. During regional dialogues, governments may explore the challenges and benefits of migration and share best practices as the most concrete and effective way to promote orderly and humane international migration. These dialogues also address issues related to border control and security, protection and asylum, development, and trafficking in persons.

## V. USAID FIELD MISSIONS AND REGIONAL OFFICES

### AFRICA

- [Benin](#)
- [Democratic Republic of Congo](#)
- [Eritrea](#)
- [Ethiopia](#)
- [Ghana](#)
- [Guinea](#)
- [Kenya](#)
- [Malawi](#)
- [Mali](#)
- [Madagascar](#)
- [Mozambique](#)
- [Namibia](#)
- [Nigeria](#)
- [RCSA Regional Office Southern Africa – South Africa](#)
- [REDSO/ESA Regional Office East Africa – Kenya](#)
- [Rwanda](#)
- [Senegal](#)
- [Sierra Leone](#)
- [South Africa](#)
- [Sudan intranet](#)
- [Tanzania](#)
- [Uganda](#)
- [West Africa Regional Program](#)
- [Zambia](#)
- [Zimbabwe](#)

### Asia and the Near East

- [Bangladesh](#)
- [Cambodia](#)
- [Egypt](#)
- [India](#)
- [Indonesia](#)
- [Jordan](#)
- [Mongolia](#)
- [Morocco](#)
- [Nepal](#)
- [Pakistan](#)
- [Philippines](#)
- [Sri Lanka](#)
- [Timor Leste](#)
- [West Bank and Gaza](#)

### EUROPE AND EURASIA

- [Albania](#)
- [Armenia](#)

- [Belarus](#)
- [Bosnia and Herzegovina](#)
- [Bulgaria](#)
- [Central Asian Republics](#)
- [Croatia](#)
- [Georgia](#)
- [Kosovo](#)
- [Lithuania](#)
- [Moldova](#)
- [Regional Services Center - Hungary](#)
- [Republic of Macedonia](#)
- [Romania](#)
- [Russia](#)
- [Serbia and Montenegro](#)
- [Ukraine](#)

## **LATIN AMERICA AND THE CARIBBEAN**

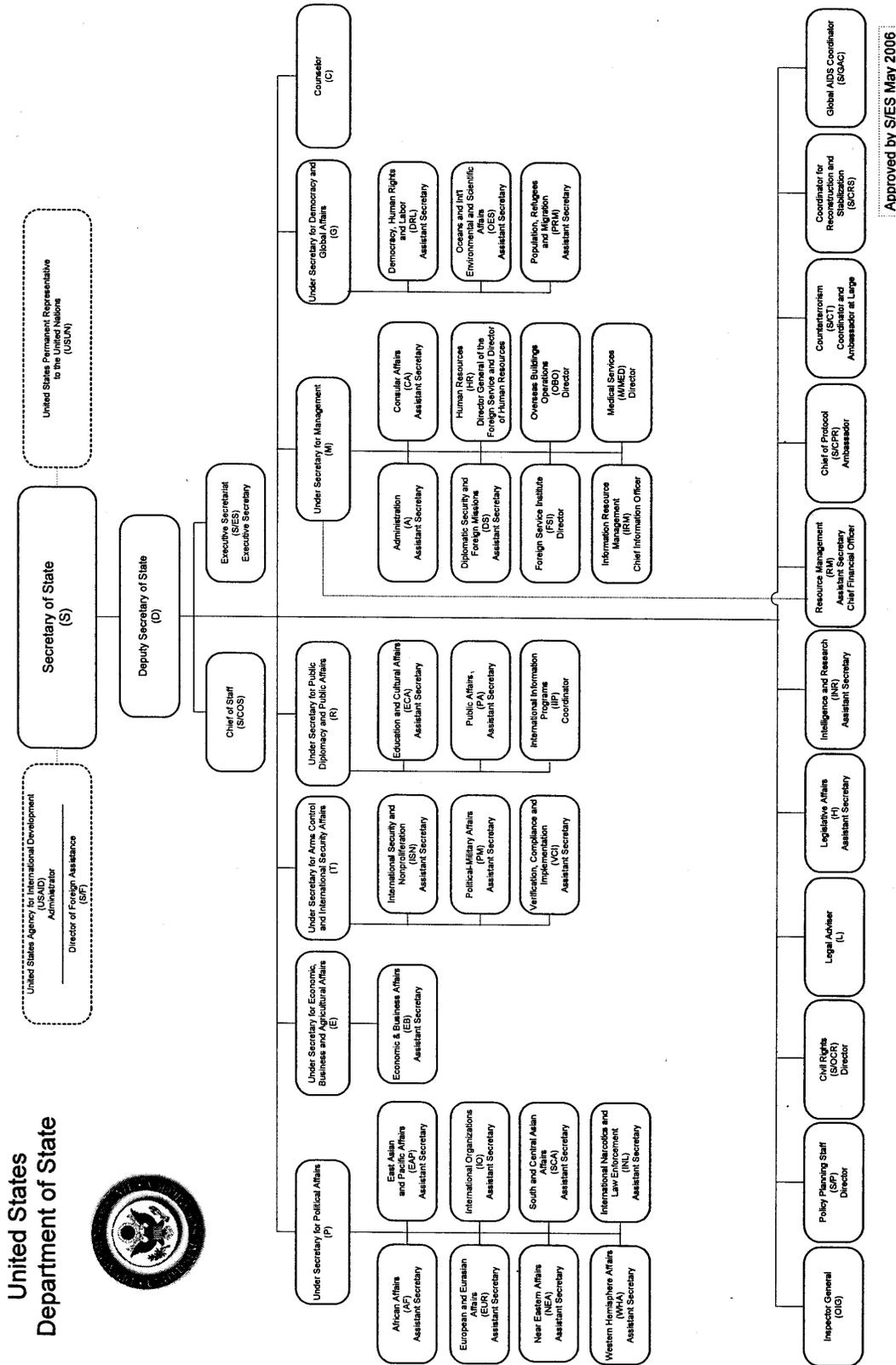
- [Bolivia](#)
- [Colombia](#)
- [Dominican Republic](#)
- [Ecuador](#)
- [El Salvador](#)
- [Guatemala](#)
- Regional Office – Guatemala
- [Haiti](#)
- [Honduras](#)
- [Jamaica](#)
- [Nicaragua](#)
- [Panama](#)
- [Peru](#)

## ANNEX 1: Foreign Assistance Framework

| FOREIGN ASSISTANCE FRAMEWORK   |   |  |  |  |   |   |  |
|--|---|--|--|--|---|---|--|
| "Helping to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system." |   |  |  |  |   |   |  |
| Goal   | Peace and Security  | Governing Justly and Democratically  | Investing in People  | Economic Growth  | Humanitarian Assistance   | End Goal of US Foreign Assistance   |  |
| Objectives   | <ul style="list-style-type: none"> <li>&gt; FMF, IMET, ESF, INCLE</li> <li>&gt; NADR, PKO, ACI, FSA, SEED</li> </ul>  | <ul style="list-style-type: none"> <li>&gt; DA, SEED, FSA, DF, ESF, INCLE, IO&amp;P, ACI</li> </ul>  | <ul style="list-style-type: none"> <li>&gt; DA, TI, CSH, ESF, IDFA, IO&amp;P, FSA, SEED, GHAI, Title II</li> </ul>   | <ul style="list-style-type: none"> <li>&gt; DA, TI, ESF, SEED, FSA, IO&amp;P, Title II</li> </ul>  | <ul style="list-style-type: none"> <li>&gt; IDFA, MRA, ERMA, Title II</li> </ul>  | Graduation Trajectory   |  |
| Accounts within State/USAID  | <ul style="list-style-type: none"> <li>&gt; Counter Terrorism</li> <li>&gt; Countering WMD</li> <li>&gt; State Operations</li> <li>&gt; Defense Reform</li> <li>&gt; Counternarcotics</li> <li>&gt; Transnational Crime</li> <li>&gt; Conflict Mitigation and Response</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Rule of Law</li> <li>&gt; Human Rights</li> <li>&gt; Political Competition and Consensus-Building</li> <li>&gt; Civil Society</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Health</li> <li>&gt; Education</li> <li>&gt; Social Services and Protection for Vulnerable Populations</li> </ul>  | <ul style="list-style-type: none"> <li>&gt; Macroeconomic Foundation</li> <li>&gt; Trade and Investment</li> <li>&gt; Financial Sector</li> <li>&gt; Infrastructure</li> <li>&gt; Agriculture</li> <li>&gt; Private Sector</li> <li>&gt; Competitiveness</li> <li>&gt; Economic Opportunity</li> <li>&gt; Environment</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Protection, Assistance and Solutions</li> <li>&gt; Disaster Readiness</li> <li>&gt; Migration Management</li> </ul> |   |  |
| Foreign Assistance Program Areas   | <ul style="list-style-type: none"> <li>&gt; Rule of Law</li> <li>&gt; Human Rights</li> <li>&gt; Political Competition and Consensus-Building</li> <li>&gt; Civil Society</li> </ul>  | <ul style="list-style-type: none"> <li>&gt; Health</li> <li>&gt; Education</li> <li>&gt; Social Services and Protection for Vulnerable Populations</li> </ul>                        | <ul style="list-style-type: none"> <li>&gt; Macroeconomic Foundation</li> <li>&gt; Trade and Investment</li> <li>&gt; Financial Sector</li> <li>&gt; Infrastructure</li> <li>&gt; Agriculture</li> <li>&gt; Private Sector</li> <li>&gt; Competitiveness</li> <li>&gt; Economic Opportunity</li> <li>&gt; Environment</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Protection, Assistance and Solutions</li> <li>&gt; Disaster Readiness</li> <li>&gt; Migration Management</li> </ul>  |   |   |  |
| Category Definition  |   |  |  |  |   |   |  |
| Rebuilding Countries   | States in or emerging from and rebuilding after internal or external conflict.  | Assist in creating and/or stabilizing a legitimate and democratic government and a supportive environment for civil society and media.   | Start or restart the delivery of critical social services, including health and educational facilities, and begin building or rebuilding institutional capacity.   | Assist in the construction or reconstruction of key internal infrastructure and market mechanisms to stabilize the economy.  | Address immediate needs of refugees, displaced, and other affected groups.  | Stable environment for good governance, increased availability of essential social services, and initial progress to create policies and institutions upon which future progress will rest. |  |
| Developing Countries   | States with low or lower-middle income, not yet meeting MCC performance criteria, and the criterion related to political rights.  | Support policies and programs that accelerate and strengthen public institutions and the creation of a more vibrant local government, civil society and media.                       | Encourage social policies that deepen the ability of institutions to establish appropriate roles for the public and private sector in service delivery.  | Encourage economic policies and strengthen institutional capacity to promote broad-based growth.   | Encourage reduced need for future HA by introducing prevention and mitigation strategies, while continuing to address emergency needs.                          | Continued progress in expanding and deepening democracy, strengthening public and private institutions, and supporting policies that promote economic growth and poverty reduction.         |  |
| Transforming Countries   | States with low or lower-middle income, meeting MCC performance criteria, and the criterion related to political rights.  | Provide limited resources and technical assistance to reinforce democratic institutions.   | Provide financial resources and limited technical assistance to sustain improved livelihoods.  | Provide financial resources and technical assistance to promote broad-based growth.  | Address emergency needs on a short-term basis, as necessary.  | Advance to the Sustaining Partnership Category or graduate from foreign assistance.   |  |
| Sustaining Partnership Countries   | States with upper-middle income or greater for which U.S. support is provided to sustain partnerships, progress, and peace.   | Address issues of mutual interest.   | Address issues of mutual interest.   | Create and promote sustained partnerships on trade and investment.   | Address emergency needs on a short-term basis, as necessary.  | Continue partnership or graduate from foreign assistance.   |  |
| Restrictive Countries  | States of concern where there are significant governance issues.  | Foster effective democracy and responsible sovereignty. Create local capacity for fortification of civil society and path to democratic governance.                                  | Address humanitarian needs.  | Promote a market-based economy.  | Address emergency needs on a short-term basis, as necessary.  | Advance to other relevant foreign assistance category.  |  |
| Global or Regional   | Activities that advance the five objectives, transcend a single country's borders, and are addressed outside a country strategy.  |  |  |  |   | Achievement of foreign assistance goal and objectives.  | Determined based on criteria specific to the global or regional objective. |

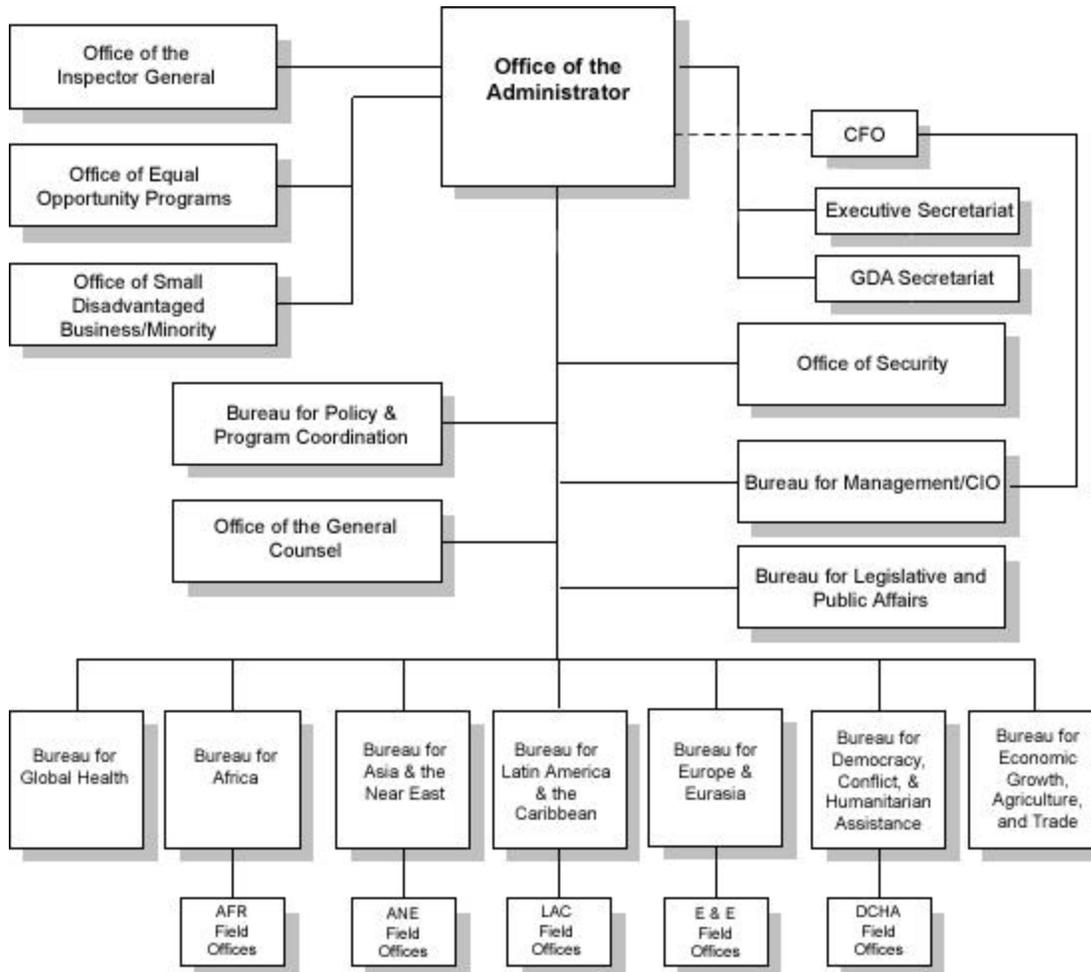
AS OF OCTOBER 12, 2006

## ANNEX 2: Organization Charts

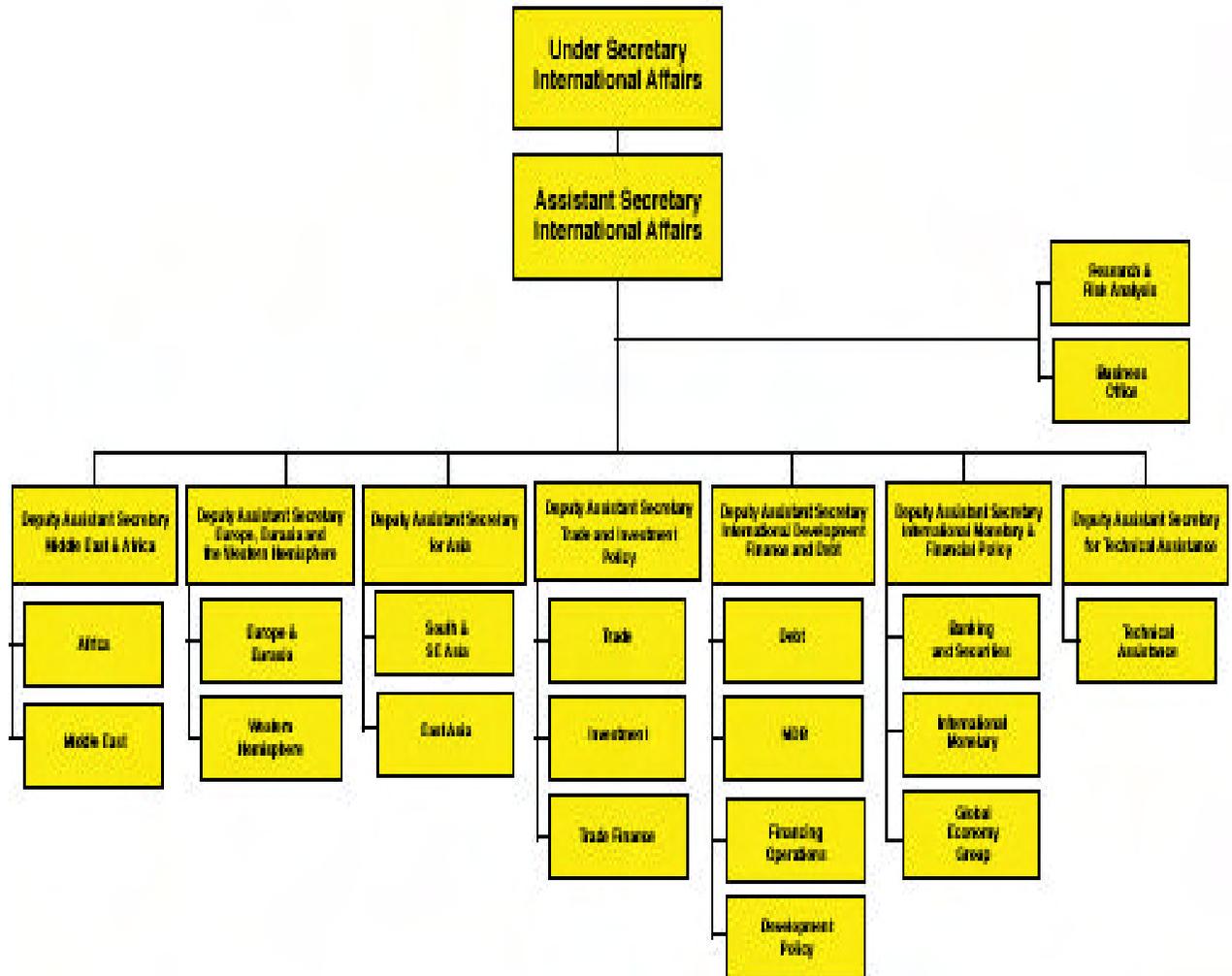


Approved by S/ES May 2006

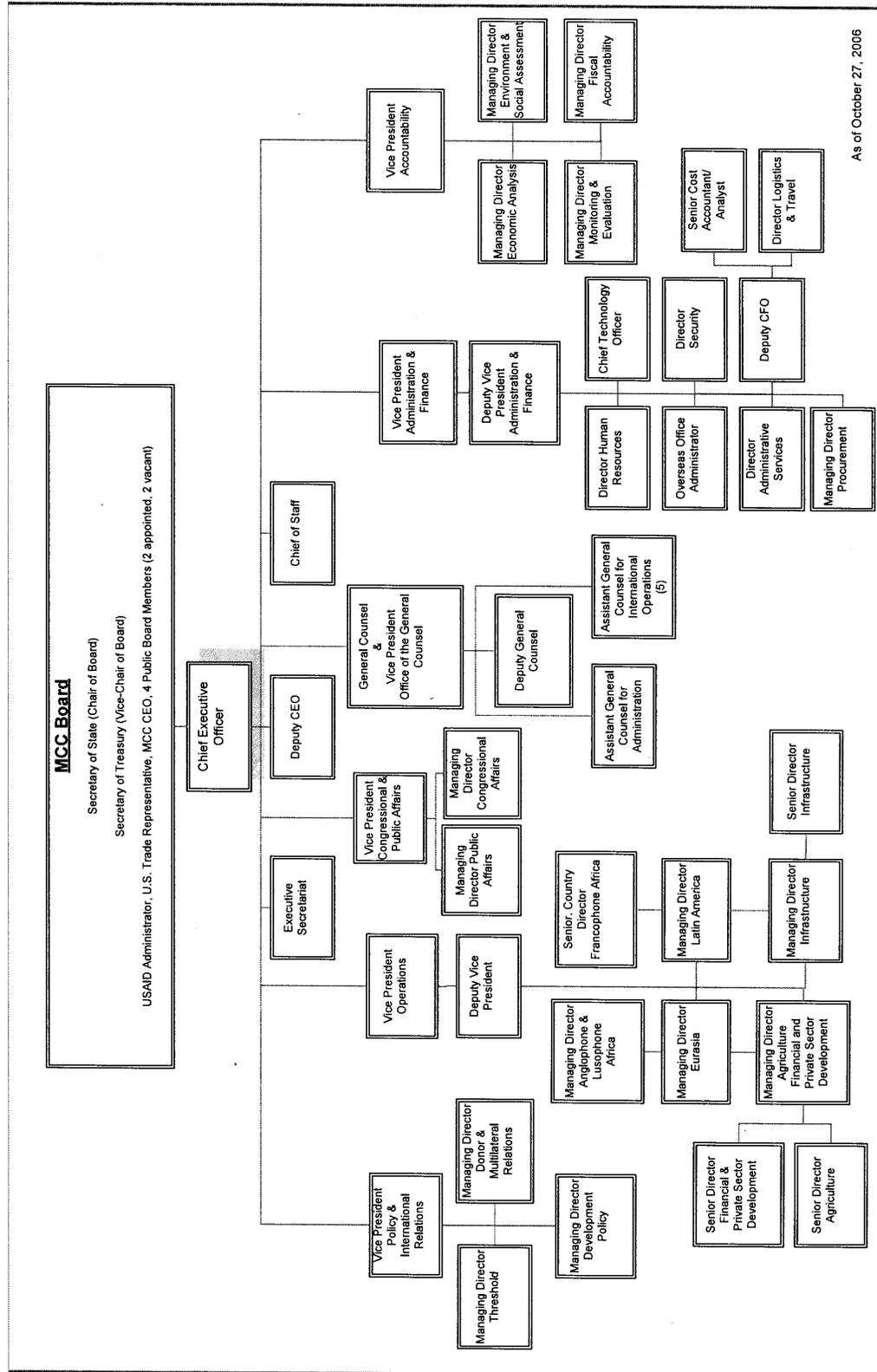
USAID Organization Chart



# Office of International Affairs Department of the Treasury



### Millennium Challenge Corporation



### ANNEX 3: Acronyms

|       |  |
|-------|--|
| A&A   | Acquisitions and Assistance                                |
| ACI   | Andean Counterdrug Initiative                              |
| ABS   | Annual Budget Submission                                   |
| ADS   | Automated Directives System                                |
| AfDB  | African Development Bank                                   |
| AGOA  | African Growth and Opportunity Act                         |
| AIAG  | Avian Influenza Action Group                               |
| AIOG  | Afghanistan Interagency Operations Group                   |
| ANE   | Asia & Near East   |
| APEC  | Asia Pacific Economic Cooperation                          |
| ARTF  | Afghanistan Reconstruction Trust Fund                      |
| ARV   | Anti-retroviral  |
| CAADP | Comprehensive African Agricultural Development Plan        |
| CAFTA | Central American Free Trade Agreement (Dominican Republic) |
| CAPS  | United Nations Consolidated Appeals                        |
| CBJ   | Congressional Budget Justification                         |
| CDC   | Centers for Disease Control and Prevention                 |
| CDIE  | Center for Development Information and Evaluation          |
| CEO   | Chief Executive Officer                                    |
| CERF  | Central Emergency Response Fund                            |
| CERP  | Commanders' Emergency Response Program                     |
| CICTE | Committee Against Terrorism                                |
| CICAD | Inter-American Drug Abuse Control Commission               |
| CIDA  | Canadian International Development Agency                  |
| COCOM | Combatant Commands   |
| CIPA  | Contributions for International Peacekeeping Activities    |
| CMM   | Conflict Management and Mitigation                         |
| CSH   | Child Survival and Health                                  |
| DA    | Development Assistance                                     |
| DAC   | Development Assistance Committee                           |
| DART  | Disaster Assistance Response Teams                         |
| DCA   | Development Credit Authority                               |
| DCOF  | Displaced Children and Orphans Fund                        |
| DCHA  | Democracy, Conflict, Humanitarian Assistance               |
| DCSA  | Defense Security Cooperation Agency                        |
| DOC   | Development Outreach and Communications                    |
| DDA   | Doha Development Agenda                                    |
| DFA   | Director of Foreign Assistance                             |
| DG    | Democracy and Governance                                   |
| DOD   | Department of Defense                                      |
| DOL   | Department of Labor  |
| DOTS  | Directly Observed Treatment Short-course                   |
| DRI   | Development Readiness Initiative                           |
| DRL   | Bureau of Democracy, Human Rights and Labor                |
| DCSA  | Defense Security Cooperation Agency                        |
| ECA   | Educational and Cultural Affairs                           |
| EFA   | Education for All  |
| EPA   | Environmental Protection Agency                            |
| ESF   | Economic Support Fund                                      |
| FAA   | Foreign Assistance Act                                     |
| FAO   | Food and Agriculture Organization                          |
| FAST  | Fragility Assessment Tool                                  |
| FFP   | Food for Peace   |

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|          |   |
|----------|---|
| FSA      | FREEDOM Support Act                                       |
| FSN      | Foreign Service National                                  |
| FSO      | Foreign Service Officer                                   |
| FTA      | Free Trade Agreement                                      |
| FY       | Fiscal year   |
| GAO      | General Accountability Office                             |
| GDH      | Good Humanitarian Donorship                               |
| GDA      | Global Development Alliance                               |
| GFATM    | Global Fund to fight AIDS, Tuberculosis and Malaria       |
| GNP      | Gross National Product                                    |
| GOA      | Government of Afghanistan                                 |
| GPRA     | Government Performance and Results                        |
| G/TIP    | Global Issues/Trafficking in Persons                      |
| HC       | Humanitarian Coordinators                                 |
| HCAAF    | Human Capital assessment and Accountability Framework     |
| HCT      | HIV Counseling and Testing                                |
| HIPC     | Heavily Indebted Poor Countries                           |
| IASC     | Interagency Standing Committee                            |
| ICRC     | International Committee of the Red Cross                  |
| IDA      | International Development Association                     |
| IDB      | Inter-American Development Bank                           |
| IDCA     | International Development Cooperation Agency              |
| ICA      | International Cooperation Agency                          |
| IDFA     | International Disaster and Famine Assistance              |
| IDP      | Internally Displaced Persons                              |
| IOM      | International Organization for Migration                  |
| IEHA     | Initiative to End Hunger in Africa                        |
| IFI      | International Financial Institutions                      |
| IRS      | Indoor Residual Spraying                                  |
| INL      | International Narcotics and Law Enforcement Affairs       |
| IO       | International Organization Affairs                        |
| IPAPI    | International Partnership on Avian and Pandemic Influenza |
| IT       | Information Technology                                    |
| ITN      | Insecticide Treated Nets                                  |
| JAAF/MAS | Joint Apparel Association Forum/MAS Holdings              |
| JCMB     | Joint Coordination and Monitoring Board                   |
| JMC      | Joint Management Council                                  |
| JPC      | Joint Policy Council                                      |
| JV-MPD   | Joint Venture – on Monitoring Paris Declaration           |
| KfD      | Knowledge for Development                                 |
| LLITN    | Long-Lasting Insecticide Treated Nets                     |
| LPA      | Legislative and Public Affairs                            |
| MCA      | Millennium Challenge Account                              |
| MCC      | Millennium Challenge Corporation                          |
| MDB      | Multilateral Development Bank                             |
| MDG      | Millennium Development Goals                              |
| M&E      | Monitoring and Evaluation                                 |
| MEPI     | Middle East Partnership Initiative                        |
| MDRI     | Multilateral Debt Relief Initiative                       |
| MPP      | Mission Performance Plans                                 |
| NATO     | North Atlantic Treaty Organization                        |
| NED      | National Endowment for Democracy                          |
| NEPAD    | New Partnership for Africa's Development                  |
| NSC      | National Security Council                                 |
| NSS      | National Security Strategy                                |
| NSPD-44  | National Security Presidential Directive                  |

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|                 |  |
|-----------------|--|
| NGO             | Nongovernmental Organization   |
| OAS             | Organization of American States  |
| ODA             | Official Development Assistance  |
| ODF             | Office of Development Finance  |
| OES             | Oceans and International Environmental and Scientific Affairs          |
| OECD/DAC        | Organization for Economic Cooperation/Development Assistance Committee |
| OFR             | Ocean Freight Reimbursement  |
| OHDACA          | Overseas Humanitarian, Disaster and Civic Aid                          |
| OIE             | World Organization for Animal Health                                   |
| OMA             | Office of Military Affairs   |
| OMB             | Office of Management and Budget  |
| OPIC            | Office of Private Investment Corporation                               |
| OPM             | Office of Personnel Management   |
| OTI             | Office of Transition Initiatives                                       |
| OYB             | Operating Year Budget  |
| PAR             | Performance and Accountability Report                                  |
| PART            | Program Assessment Rating Tool   |
| PCC             | Policy Coordinating Committee  |
| PEPFAR          | President's Emergency Plan for AIDS Relief                             |
| PIO             | Public International Organization                                      |
| PL 480 Title II | U.S. International Food Assistance                                     |
| PMA             | President's Management Agenda  |
| PMF             | Presidential Management Fellow   |
| PMI             | President's Malaria Initiative   |
| POVNET          | Poverty Network  |
| PVO             | Private Voluntary Organization   |
| PRM             | Population, Refugees and Migration                                     |
| PRT             | Provincial Reconstruction Teams  |
| RBM             | Roll-Back Malaria  |
| RFP             | Request for Proposals  |
| RMT             | Response management teams  |
| SACU            | Southern African Customs Union   |
| S/GAC           | Office of the Global AIDS Coordinator                                  |
| SEED            | Support for East European Democracy                                    |
| SMART           | Standardized Monitoring and Assessment of Relief and Transitions       |
| S/CRS           | Office of the Coordinator for Reconstruction and Stabilization         |
| SSR             | Security-sector Reform   |
| SSTR            | Support for Stability, Transition, and Reconstruction                  |
| TCB             | Trade capacity building  |
| TI              | Transition Initiatives   |
| TRADE           | Trade for African Development and Enterprise                           |
| UN              | United Nations   |
| UNAIDS          | Office of United Nations AIDS  |
| UNDEF           | United Nations Democracy Fund  |
| UNDP            | United Nations Development Program                                     |
| UNESCO          | United Nations Education, Scientific, and Cultural Organization        |
| UNFTS           | United Nations Financial Tracking Service                              |
| UNHCR           | United Nations High Commission for Refugees                            |
| UNICEF          | United Nations International Children's Education Fund                 |
| US              | United States of America   |
| USAID           | United States Agency for International Development                     |
| USC             | United State Code ( <i>legal term</i> )                                |
| USDA            | United States Department of Agriculture                                |
| USDH            | United States Direct Hire  |
| USG             | United States Government   |
| USTR            | U.S. Office of the Trade Representative                                |

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|        |                                    |
|--------|------------------------------------|
| WFP    | World Food Programme               |
| WHA    | Western Hemispheric Affairs        |
| WHO    | World Health Organization          |
| WP-EFF | Working Party on Aid Effectiveness |
| WTO    | World Trade Organization           |

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