OECD

Development
Co-operation
Review Series

United States

Development Assistance Committee

DAC

1998
No. 28

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose Members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, Members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The Members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

Publié en français sous le titre :
SÉRIE DES EXAMENS EN MATIÈRE DE COOPÉRATION POUR LE DÉVELOPPEMENT
ÉTATS-UNIS

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FOREWORD

The Development Assistance Committee (DAC) conducts periodic reviews to improve the individual and collective development co-operation efforts of DAC Members. The policies and efforts of individual Members are critically examined approximately once every three years. Some six programmes are examined annually.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC Members who are designated as examiners. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the Member concerned. Brief field visits investigate how Members have absorbed the major DAC policies, principles and concerns, and examine operations in recipient countries, particularly with regard to sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

Putting all this information and analysis together, the Secretariat prepares a draft report on the Member's development co-operation which is the basis for the DAC review meeting. At this meeting senior officials from the Member under review discuss a series of questions posed in a brief document: "Main issues for the Review". These questions are formulated by the Secretariat in association with the examiners. The main discussion points and operational policy recommendations emerging from the review meeting are set out in the Summary and Conclusions section of the publication.

This publication contains the Summary and Conclusions as agreed by the Committee following its review on 6 April 1998 in Paris, and the Report prepared by the Secretariat in association with the examiners, representing Denmark and Germany, on the development co-operation policies and efforts of the United States. The report is published on the authority of the Secretary-General of the OECD.

James Michel
DAC Chair

LIST OF ACRONYMS

ACDA	Arms Control and Disarmament Agency
AIDS	Acquired Immune Deficiency Syndrome
ANE	[Bureau for] Asia and Near East
ARD	Associates in Rural Development, Inc.
ASEAN	Association of South-East Asian Nations
ASHA	American Schools and Hospitals Abroad
ATC	Agreement on Textiles and Clothing
ATPA	Andean Trade Preference Act
BHR	Bureau for Humanitarian Response
BIFAD	Board of International Food, and Agricultural Development and Economic Co-operation
BoP	Balance of Payments
CBI	Caribbean Basin Initiative
CBERA	Caribbean Basin Economic Recovery Act
CCC	Commodity Credit Corporation
CDIE	Center for Development Information and Evaluation
CDOs	Co-operative development organisations
CEECs	Central and Eastern European Countries
CGIAR	Consultative Group on International Agricultural research
CRSP	Collaborative Research Support Programs
DAC	Development Assistance Committee
DCC	Development Co-ordination Committee
DEXS	[USAID] Development Experience Systems
DOD	Department of Defense
EIA	Environmental impact assessment
ESF	Economic Support Fund
Eximbank	Export-Import Bank
EPA	Environmental Protection Agency
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FEWS	Famine Early Warning System
FSA	Freedom Support Act
FSN	Foreign service nationals
FY	Fiscal year
GEF	Global Environmental Facility
GNP	Gross national product
GPRA	Government Performance and Results Act of 1993
GSP	Generalised System of Preferences
HICs	High income countries
HIPC	Heavily-indebted poor countries
HIV	Human immunodeficiency virus
HTS	Harmonized Tariff System
IDA	International Development Association
IDCA	International Development Co-operation Agency
IFAD	International Fund for Agriculture and Development
IFIs	International Financial Institutions
IMF	International Monetary Fund
ISTI	International Science and Technology Institute, Inc.
LDBCs	Least-developed of the beneficiary developing countries
LICs	Low income countries
LLDCs	Least developed countries
LMICs	Lower middle income countries
MAI	Multilateral agreement on investment
MDBs	Multilateral Development Banks
MFN	Most favoured nation
NAFTA	North American free trade agreement
NASA	National Aeronautics and Space Administration
NEC	National Economic Council
NGOs	Non-governmental organisations
NICs	Newly industrialised countries
NIS	New Independent States of the former Soviet Union
NMS	New Management Systems
NOAA	National Oceanographic and Atmospheric Administration
NPI	New Partnerships Initiative
NPR	National Performance Review
NSC	National Security Council
NTA	New Transatlantic Agenda
ODA	Official development assistance
OFDA	Office of US Foreign Disaster Assistance
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
OTI	Office of Transition Initiatives
PFF	Partnership for freedom
PSCs	Personal service contractors
PVC	Private and Voluntary Co-operation
PVO	Private Voluntary Organisation
REDSO	Regional Economic Development Services Office (USAID)
SEED	Support for Eastern European Democracy Act, 1989
SSA	Sub-Saharan Africa
STI	Sexually transmitted infections
TCN	Third country nationals
TDA	Trade and Development Agency
TPC	Trade Policy Committee
TPCC	Trade Promotion Co-ordinating Committee
TPRG	Trade Policy Review Group
UMICs	Upper Middle-income countries
UN	United Nations
UNCED	United Nations Conference on Environment and Development, Rio de Janeiro, 1992
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNFPA	United Nations Fund for Population Activities
USAID	United States Agency for International Development
USGS	United States Geological Survey
USIA	United States Information Agency
USITC	United States International Trade Commission
USTR	United States Trade Representative
WB	World Bank
WFP	World Food Programme
WGMA	Working Group on Multilateral Affairs
WID	Women in Development
WTO	World Trade Organisation

Signs used

( )	Secretariat estimate in whole or part
–	Nil
0.0	Negligible
. .	Not available
...	Not available separately but included in total
n.a.	Not applicable

Slight discrepancies in totals are due to rounding

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SUMMARY AND CONCLUSIONS

THE STATE OF NATIONAL CONSENSUS ON FOREIGN ASSISTANCE

Just as the United States was the first nation to launch major programmes of development assistance, its programmes were the first to be subjected to intense pressure and criticism. After a long period of declining support and fragmenting consensus, the US authorities have in recent years seized a series of major opportunities to strengthen political and public confidence in their programmes. Within the framework of a Government-wide campaign to improve public management, USAID has sought to be a leader in these areas while simultaneously working toward "best practices" to improve the quality and impact of the programmes themselves. A highly ambitious campaign for change has attempted to link reforms in aid management systems with setting clearer goals for aid, establishing stronger partnerships, building more developing-country capacity, promoting attention to gender issues, and seeking better ways to help developing countries to enter the world economy through a range of other policies, alongside development assistance. This re-thinking and reform have at the same time been tuned to the major changes under way in the international environment for development and development co-operation in which the United States is a prominent participant as in the DAC contributions to the Development Partnerships Strategy. The Committee looks forward to the full impact of the reforms and initiatives that have been launched.

The Administrator of USAID now believes that a "rough consensus" has been forged in the United States about the contemporary needs for foreign assistance, but concedes that it remains an open question whether or when this consensus will translate into sufficient political support to arrest the declining volume of American aid. The programme itself needs to complete, absorb and show benefits from the intense series of reforms that have been introduced on so many fronts. The peer community of donors sees the current level of American aid as inadequate to bring to bear in the world the evident capacities of the US development agencies and of American society more widely. A high level of political leadership would clearly be needed to bring the United States' foreign assistance effort to a level commensurate with the United States' capabilities and world-wide interests. The Committee was encouraged by the recent extensive visit of the President of the United States to Africa, and his commitment to seek to increase the budget for African aid to its historically high levels.

STRATEGIC FRAMEWORK AND RESULTS SOUGHT

An important new element in the United States programme has been hinged to the Government Performance and Results Act of 1993 (GPRA), requiring all US government agencies to establish performance objectives, to report progress annually to Congress, and to prepare strategic plans. The US aid authorities have embraced the goals of placing emphasis on results or outcomes of federal programmes and harmonized strategic planning among federal departments and agencies.

Since the passage of the Foreign Assistance Act of 1961 under President Kennedy, the United States Agency for International Development (USAID) has been the main organisational instrument, with primary responsibility for promoting sustainable development, for providing humanitarian assistance with bilateral resources and for managing bilateral aid programmes and activities. USAID is presently responsible for some 65 per cent of the programme. The remainder of United States foreign assistance is handled by other parts of the Executive Branch, the main ones being: Treasury Department (multilateral development banks – MDBs); State Department (UN agencies and some humanitarian and refugee programmes); Peace Corps (volunteer programme); Department of Defense (some limited support for humanitarian programmes), and Agriculture Depart-

ment (budget for food aid, most of which is managed and implemented by USAID).

Pursuant to the Government Performance Results Act, USAID issued its Strategic Plan (September 1997) with a mission statement:

> "USAID contributes to the US national interest through the results it delivers by supporting the people of developing and transitional countries in their efforts to achieve enduring economic and social progress and to participate more fully in resolving the problems of their countries and the world."

The Strategic Plan establishes six USAID goals under each of which there is a framework of objectives and programme approaches. Performance goals with indicators are spelled out for each goal. The six USAID goals are:

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

In addition, there is a management goal that USAID remain a premier bilateral development agency, and USAID has identified five core values which should run through the entire agency's organisation and methods, namely: customer focus, results orientation, empowerment and accountability, teamwork, and diversity.

The clarity of the Strategic Plan framework, with performance indicators in support of goals and objectives, offers the prospect of better explaining foreign assistance and ultimately demonstrating its value and impact to the US Congress and the public. At the same time, it was striking in this Review that, even though the strategic planning approved for the US Government was mandated by the Congress, the Congress continues to shift strategic directions and to control details to a degree unknown in other donor countries. From a comparative perspective, the strategic planning approach and systems of USAID are consistent with both the process and the content of the Development Partnerships Strategy supported by the United States in the DAC. In fact, because the Strategic Plan calls for a ten-year horizon, USAID indicators may generate some milestones toward the agreed, longer-term DAC goals.

One example of this broad strategic complementarity is found in the USAID aim to help reduce the proportion of the population in poverty by 25 per cent by 2007. In this connection, it was noted in this Review that the over-arching poverty-reduction goal of the DAC Strategy is expressed and embodied in distinctive ways in the American programme. The objective of poverty-reduction is explicit in the USAID goal for encouraging broad-based economic growth and agricultural development, and implicit in a number of other goals. In adopting a systemic, non-targeted strategy for poverty-reduction, the US approach puts a premium on systemic approaches to assessing needs, projecting and tracking poverty-reduction impacts (including the necessary differentiation among groups and between women and men) and evaluating the efficacy of different approaches. The United States is not yet in a position to demonstrate that it has applied its considerable capacities to back-up its poverty-reduction approach in these ways. Other DAC Members will wish to follow closely the methods applied and the impacts achieved in poverty-reduction through this distinctive American approach.

PARTNERSHIP AND CAPACITY BUILDING

USAID's approach to aid processes forms part of the powerful international consensus on the need for development co-operation to be more rooted in true partnerships, led by developing countries and their people. A core concept of USAID programme operations is the strategic objective for which a USAID Strategic Objective Team is responsible. USAID procedures call for an expanded Strategic Objective Team to include, in addition to US officials, local groups or persons who, as major customers for the strategic objective, represent development partners and key stakeholders, in particular those local groups or individuals expected to realise significant gains or significant losses. USAID aims to improve its working methods at the field level through this New Partnerships Initiative (NPI). NPI is designed to promote the art and habit of strategic partnering for collective problem-solving at the community level. In the 15 or more countries where it has been tested and replicated, the NPI approach

is reported to improve partnership and host country ownership, but information is as yet inconclusive on this innovation that will bear close watching by other donors.

The role of Private Voluntary Organisations/ Non-governmental Organisations (PVOs/NGOs) is already considerable in the United States programme, particularly considering the high level of contributions coming from PVOs/NGOs' own resources. In 1996 US PVOs received from USAID some $1.4 billion, which supplements the $2.4 billion for development that they collect privately. That role takes on even more importance under the new partnership concept. USAID channelled well over 30 per cent of its aid through PVOs/NGOs (as of 1996-97 according to USAID statistics) and may raise this level even further. From a comparative perspective, the Committee discussed the challenge involved in relying so extensively on independent development organisations to design and deliver their programmes, while maintaining the focus of the Strategy and developing country ownership.

Under the partnership concept, building capacity is a prominent theme in USAID programmes. Much of this work is related to promoting economic growth, and helping to strengthen institutions and systems that support and reinforce markets. It also relates to expanding access and opportunity for the poor, particularly women and other disadvantaged groups, by emphasizing empowerment and access, especially for women. USAID has long had a large education programme, particularly at higher levels, with a special effort to include women. In recent years, more attention is being put on expanding and improving basic education, with a strong focus on educating girls. Capacity building has been part of programmes in democracy and governance, environmental management and in helping developing countries to deal with disasters through prevention, mitigation, preparedness and planning. The capacity-building orientation is well integrated into the US programme.

AID CO-ORDINATION

The United States participates in the major international co-ordination fora (DAC, World Bank Consultative Groups, Special Programme of Assistance to Africa, United Nations Development Programme (UNDP) Round Tables, Global Coalition for Africa, Club du Sahel, Tokyo International Conference on African Development) and numerous local aid groups at the field level. The Japan-US Common Agenda and the New Transatlantic Agenda are mechanisms that have intensified and improved the United States' co-ordination with Japan and the European Commission respectively.

The relative shrinkage of US aid resources appears to have further reinforced the awareness at all levels in USAID of the need to improve co-ordination on the international and country levels, and of USAID's stake in doing more to help make this improved co-ordination happen. This is recognised in the Strategic Plan and in the very definition USAID uses of a "result" in a results-based management system: a "result" is brought about "by the intervention of USAID in concert with its development partners". It is always difficult to assess aid co-ordination efforts of a donor in the field, particularly one like the United States, which has an extensive, world-wide programme. Given USAID's own analysis of the need of improved co-ordination and indications of uneven aid co-ordination in the field, other donors and partners will look to US approaches for building the difficult work of co-ordination into the normal, and recognised, tasks of its staff, and helping to make co-ordination much more systematic.

REFORMS AND RE-ENGINEERING IN USAID

Pursuant to the National Performance Review (NPR – a US Government management reform initiative begun in 1993 under the direction of Vice President Gore) USAID undertook to be a "reinvention lab" to test ways of improving performance and customer service by re-engineering work processes and eliminating unnecessary regulations. Reinforced by the NPR, and responding to the Government Performance Reporting and Results Act (GPRA) as well as to reduced funding levels, USAID has undertaken major reforms intended to:

- orient its operations according to strategic planning, rather than merely to track the implementation of projects;
- redesign and simplify its procedures to eliminate unnecessary documentation and layers of approval;
- enable USAID programmes to focus routinely on the perspectives of its customers (beneficiaries);
- reduce the number of overseas missions and total agency staff; and
- begin to establish a world-wide information system (a very ambitious project which encountered

serious installation problems and is not yet completely operational).

Generally, setting core values, establishing a Strategic Plan, putting the focus on results, and re-engineering appear to be constructive, good practices, to be welcomed as contributions to effective development co-operation. Some aspects of cutting back overseas presence are more debatable. Mission closures and allocation of aid have been justified for a variety of reasons (security and political considerations, "graduation", poor results, political instability, legal requirements, and small country populations). But it is the general view within USAID and by observers that the driving force behind the closures was to obtain operational budget savings and that the extent of cut-backs of USAID's overseas presence diminished two of its most prized assets: an experienced, strong field staff, close to the action, and the unique scope of the United States programme in line with America's global capabilities.

According to USAID's latest work force plans, the field staff will not be reduced significantly in the near future, levelling off at 700 career staff, but cuts will be made in headquarters. On the asset side, USAID has gone further than probably any other DAC Member in using local nationals to help administer its programme overseas, both in administrative and professional capacities. This has not only provided training and opportunities for local nationals, but can also help foster the partnership approach in the field. At present USAID has over 4 200 local nationals on its employment rolls, many of whom are highly trained professionals, both women and men, in key positions in field missions. This especially active US policy underlines the concern, as with the interventions of all external partners affecting local skills markets, of the importance of applying and sharing appropriate policies to minimise distortions in the balanced development of skilled human resources.

DEMOCRACY, GOVERNANCE, CONFLICT AND DISASTER RESPONSE

The building of democratic institutions, free and open markets and pluralistic society with mechanisms for peaceful conflict resolution, have now been recognised as foundations for sustainable development and they have become a mainstream foreign assistance activity. USAID was one of the early agencies working in the fields of governance and democracy, including judicial reform. In the 1960s and 1970s, somewhat similar work had been carried out in public administration strengthening and training programmes. However, the nature of these earlier programmes changed considerably, starting in the mid-1980s, to become more directly concerned with building democratic institutions and improving governance. The prominence of the democracy and governance theme is now evident in the fact that it is one of USAID's six strategic goals. USAID has democracy and governance activities in nearly 90 countries world-wide, focusing on strengthening the rule of law and respect for human rights; improving political processes; developing civil society; and making government more transparent and accountable. A great deal has been learned from these experiences, but according to USAID quantitative measures for these programmes remain "elusive". USAID is working to develop performance-based measures of impact, and has catalogued a number of instances where its programmes have contributed to democratic processes and better governance around the world. USAID is also working closely with the European Commission under the New Transatlantic Agenda on this theme, a welcome example of co-ordination.

The United States has a strong tradition of providing assistance in natural and man-made disasters. This programme managed by USAID's Office of Foreign Disaster Assistance in the Bureau for Humanitarian Response (BHR) operates in close co-operation with the State Department, which manages humanitarian assistance programmes for refugees, and the Defense Department, which provides primarily logistic support. USAID has encountered the same phenomenon as other DAC Members, having seen an increase in some recent years of the number and intensity of disasters, and particularly prolonged complex emergencies involving political and military conflict (*e.g.* Africa's Great Lakes region, Angola, Bosnia, Liberia, Sierra Leone). USAID aims to act to save lives, reduce suffering, and assist in the return to sustainable development. In the area of food security, it has also put in place programmes to provide early warning (*e.g.* Famine Early Warning System – FEWS), and to mitigate and prevent disasters.

The US Transition Initiative aims to respond to the needs between relief and development. It is a new USAID mechanism to assess and address short-term political and economic needs in the recovery stage including demobilisation and reintegration of soldiers, electoral preparations, governance, and

civil infrastructure. The US contributed actively in helping to prepare the DAC Guidelines on Conflict, Peace and Development Co-operation approved at the DAC High Level Meeting (May 1997) and which were a point of reference for the G7/G8 Summit in Denver (June 1997). USAID has also been a partner in the multi-donor group examining lessons from the Rwanda crisis aimed at improving the donor community's understanding of complex emergencies and future responses to complex emergency situations.

GENDER

In terms of process, USAID continues to be one of the lead agencies in the area of gender and women in development issues. Placing the Women in Development (WID) Office in the Global Bureau has provided it with important leverage. It can launch its own initiatives and provide advice to other offices and bureaus. Its highly qualified career staff, specialised in specific sectors as well as in gender issues, work in conjunction with other staff at headquarters, in the field and through various contractual mechanisms. This ensures that relevant and appropriate advice and technical assistance are provided on a timely and useful basis in response to requests from all parts of the Agency. The Gender Plan of Action (1996), based on 20 years of experience, constitutes an agency-wide blueprint aimed at institutionalising gender issues throughout USAID. Staff seem to include gender considerations as a normal part of their everyday work.

Positive impacts on girls and women as a result of USAID activities are tangible although it is early to draw conclusions from direct evaluations of impact resulting specifically from the gender plan of action. Initial reports include some interesting detailed findings, a number of which have a bearing on the crucial Partnership Strategy goal of improving female education as a key to sustainable promotion of gender equality. If USAID can further reinforce this effort and share effective ways of achieving results, it will be a major contribution to the global effort.

ENVIRONMENT

USAID's environmental strategy aims at helping to protect the world's environment for long-term sustainability by reducing the threat of global climate change; conserving biological diversity; sustainable urbanisation including the promotion of pollution management; increased use of environmentally sound energy services; and increasing sustainable management of natural resources. An OECD/DAC case study (September 1996) of environmental considerations in development co-operation concluded that the concern for sustainable management of the environment had been strengthened over the previous five years and was clearly integrated in the Agency Management Framework (predecessor of the Strategic Plan). The Strategic Plan should give new impetus to this field. However, the case study also cautioned that, from an organisational perspective, further efforts would be required to ensure that sound environmental expertise would be available throughout the USAID field system. Several US agencies and departments are involved in environmental programmes and the co-ordination of their activities under the Strategic Plan will require close monitoring.

EFFECTIVENESS, EVALUATION AND RESULTS-ORIENTED AID

Among DAC Member-agencies, USAID has been one that has placed great emphasis in assessing its aid effectiveness, measuring and evaluating programme performance, (including gender issues) and using this information "to manage for results". Lessons learned are brought together by USAID's Center for Development Information and Evaluation (CDIE), a leader in the field of information and evaluation. Moreover, CDIE's service oriented systems answer questions rapidly and provide activity managers with the latest lessons of research, analysis, and agency experience.

USAID performance measurement systems, which track the Strategic Plan, are used to assess progress through the use of indicators for each programme result. Unfortunately USAID's New Management System (NMS) which includes results-tracking, is not at a fully functional level. Once the difficult installation problems have been overcome, the system should enhance USAID's ability to manage, analyse and report on its performance and to contribute to assessing progress in relation to the Development Partnership Strategy. For several years USAID has prepared performance reports which are well done and increasingly tied to strategic planning.

MULTILATERAL PROGRAMME

The US multilateral programme led by the Treasury Department, for International Financial Institu-

tions (IFIs) including the International Monetary Fund (IMF) and Multilateral Development Banks (MDBs), and the State Department, for United Nations agencies and other international development institutions, has been subject to the same strategic planning process as USAID. The United States exercises its influence not only as one of the largest contributors to the multilateral system, but also through its policy and intellectual inputs.

The policy directions outlined in the Treasury Department's Strategic Plan for International Programmes (September 1997) support broad-based sustainable development and market-oriented policies and seeks reforms of IFIs to increase their development and cost effectiveness. The Early Project Notification System of USAID, in co-operation with the Treasury Department, informs Embassies and USAID field missions of upcoming MDB projects and World Bank Country Assistance Strategies and solicits input. This has proved to be an effective mechanism for channelling information from the field into the MDB decision-making processes. Notably, this system was instrumental in bringing about changes in favour of increased concern for environmental issues in MDBs.

The State Department's International Affairs Strategic Plan (September 1997) has goals that likewise rely heavily on multilateral action in strengthening democracy, preventing conflict, promoting human rights and rule of law. It also proposes to reform and reinvigorate UN institutions to more effectively address international environmental problems. The State Department also shares with USAID the goal of stabilizing world population growth and more multilateral investments in population related activities. The State Department goal of protecting human health and reducing the spread of infectious diseases unquestionably calls for increased international co-operation for prevention, surveillance, and response to infectious diseases, an area where USAID is particularly active and which benefits from strong Congressional support.

The reform of international development institutions and the enhancement of their development effectiveness, which are goals shared by all departments and agencies in the United States' multilateral system, can no doubt be addressed with greater effectiveness through improved co-ordination. The strategic planning process has considerable promise to improve the co-ordination of the US multilateral programme, which also depends on several other mechanisms (task forces and working groups described in this Report).

The US has accumulated substantial arrears both to the United Nations (UN) system and until recent progress, to the multilateral concessional financing facilities, due to Congressional reluctance to approve the necessary appropriations. The Administration's budget proposals for 1999 would repay these obligations, but this will be subject to Congressional action. Clearly, constructive US leverage in its push to reform multilateral assistance programmes would be enhanced by the capacity to deliver on its international financial commitments.

POLICY COHERENCE AND INTERNAL CO-ORDINATION: PROCESS AND SUBSTANCE

The weight and reach of the United States' international influence places unique importance on the ways in which the full range of its policy instruments can affect the development prospects of developing countries. The relative importance of the United States pursuing pro-development policies beyond the field of aid is further heightened by the fact that the size of the US aid effort is proportionally so much smaller than that of other DAC Members. The United States can point to a number of major fields where the integration of the long-term development perspective in its policy approaches has been relatively strong and getting stronger. Several options to improve policy coherence are explored in this Report.

The introduction of strategic planning by all departments and agencies may bring some new harmonizing discipline and improved coherence at the broad policy level, but it is too soon to evaluate. In the international affairs budget (Function Account 150) the leadership of the State Department under the overall guidance of the Office of Management and Budget has been strong in recent years. Many other mechanisms exist to improve co-ordination and coherence in budget, multilateral affairs, debt, trade, and particularly complex contingency operations.

These mechanisms and systems have been studied several times and appear to function with reasonable effectiveness, at least on the co-ordination side. However, the persistence and intractability of some coherence problems suggests the need to see whether the strategic planning process can be used more effectively to address the issues of co-ordination and coherence or whether improvements can be made as suggested in a num-

ber of commission reports, discussed in Chapter 7 of the Secretariat Report. At the field level, it should be noted, United States Ambassadors have a clear legal mandate to co-ordinate US efforts in a given country, and this is a relatively strong mechanism for operational co-ordination.

US objectives for policy coherence should be assessed against the influence of the US on the international trade and investment system, the US emphasis on market-based approaches to integrate developing countries into the global market, and the minimal relative US effort in the aid field. Based on these criteria one would expect vigorous American leadership in offering developing countries expanded access to OECD markets and especially the US market. The international community will look especially to creative new American contributions in strengthening developing countries' capacities for trade, improving market access, and mobilising development finance from all sources.

BUDGET AND ODA VOLUME: INSUFFICIENT RESOURCES

While the United States has made considerable efforts to help developing countries enter the worldwide economy and could do more through trade-related coherence measures explored in this Report, these will not have the intended benefits for many developing countries unless accompanied by the supporting foundations that ODA can help to build. The need to help developing countries respond to many global problems affecting the well being of the United States remains and will be relatively unaffected, particularly in the short term, even if all policy coherence problems were resolved – including extreme poverty, population and migration pressures, environment, climate change, HIV/AIDS, illegal drugs and other global concerns. Strengthened US contributions through ODA would appear to be rational both in terms of the overall public expenditure costs and the benefits to US national self-interests.

The United States accounts for over 30 per cent of the combined gross national product (GNP) of DAC Member countries and has the largest economy in the DAC. However, it contributed only 17 per cent of total DAC ODA in 1996. Each citizen in the four highest performing DAC countries contributes about $257 for development co-operation or over eight times more than each US citizen who contributes $31 (based on per capita figures for 1995/96, when the DAC average per capita for ODA was $71). The United States' ODA was 0.12 per cent of GNP in 1996, slightly less than half the DAC average (0.25 per cent) and the lowest GNP share among DAC Member countries for the fourth consecutive year. ODA disbursements amounted to $9 377 million in 1996, an increase of one quarter (in real terms) over 1995. This placed the United States second in absolute terms after Japan. While the upturn in ODA in 1996 is welcome, it was largely due to one-off factors. The overall trend of the United States' volume performance has been downward over the last decade, in both volume and as a share of GNP. Moreover, aid to Israel, which accounted for over 30 per cent of the United States bilateral ODA in 1995/96, will no longer be counted as official development assistance in subsequent years, reflecting that countries' advanced development status.

The quality of United States statistical reporting to the DAC varies considerably. Disbursements data, which are provided by the Commerce Department are timely and of high quality, although there may be some scope for broadening its coverage. Reporting by USAID on project commitments, tying status, and the sectoral distribution of aid is either poor or non-existent. This impedes the qualitative comparison of the United States' aid programme with those of other donors. USAID should attend urgently to its problems in statistical reporting.

Related to the low aid effort of the US is the fact that the International Affairs Account in the US budget covers a diverse range of activities, only some of which are ODA or foreign aid in the internationally-accepted sense. The fact that the US public grossly overestimates the portion of the budget they think is provided for foreign assistance and do not realise that the United States has the lowest level of effort among DAC Member countries, as shown by its ODA/GNP ratio, no doubt derives in part from a lack of clarity about the budget and a lack of information about the foreign assistance programme itself. USAID has attempted to educate the public in a wide variety of ways, including through PVOs/NGOs and the "Lessons without Borders" programme. Congress has cut back the resources available for development education in FY 1998. In parallel with the reform and revitalisation of assistance programmes themselves, it is clear that the US programme, even more than others, needs fresh and effective ways of educating the American public on the performance and potential of its impressive foreign assistance and humanitarian programmes.

Part I

KEY TRENDS IN POLICIES AND ORGANISATION

BASIC POLICY FRAMEWORK, NEW POLICY ORIENTATIONS, AND PARTNERSHIP

NATIONAL CONSENSUS ON DEVELOPMENT CO-OPERATION

A key question at the last DAC peer review of the United States (15 December 1994) was how a new national consensus on the US aid programme might take shape in the post-Cold War era. The Administrator of USAID, Mr. Brian Atwood, speaking to the Overseas Development Council (16 December 1997) said he believes a "rough consensus" has been forged about foreign assistance although the question remains whether that rough consensus will translate into sufficient political support. From the perspective of this comparative review, that statement sums up well the state of the debate on development co-operation in the United States, because it highlights both progress and remaining uncertainties.

When the goals are articulated at the level of certain broad principles, there is wide support among Americans. Few contest the view that the United States should do its part to help solve the political, economic and humanitarian challenges in the world, including poverty, population and migration pressures, child survival, demining, and global concerns such as environment, climate, HIV/AIDS, and illegal drugs. At the same time, there is wide divergence about how to respond to most of these challenges and what the role of the United States is and should be. In the United States, more than in other DAC Member countries, many in the political arena believe it necessary to justify foreign assistance primarily in terms of national self-interest and national security. As the Senate Committee on Appropriations wrote: "US programmes should serve US interests in stability, democracy and growth of free market economies..." (Report 105-35, Foreign Operations, Export Financing, and Related Programs Appropriation Bill, 1998, 24 June 1997).

Moreover, the "rough consensus" that exists in the United States is still unsettled as to the budget level and the appropriateness of the organisational tools available to the Administration. Thus, the debate on foreign assistance is still open and incomplete.[1] It would require a high level of political leadership to bring it to closure – the emerging basis for foreign aid is fragile and still insufficient to propel the programme forward at a level commensurate with the United States' world-wide interests.

MAIN ORGANISATIONAL FRAMEWORK

The main instrument for the United States bilateral effort since the passage of the Foreign Assistance Act of 1961 under President Kennedy has been the United States Agency for International Development (USAID), which is the government agency with primary responsibility for promoting sustainable development, for providing humanitarian assistance with bilateral resources and for managing bilateral aid programmes and activities. USAID manages some 65 per cent of the United States foreign assistance programme, with most of the remainder handled by other parts of the Administration: Treasury Department [International Financial Institutions (IFIs) including multilateral development banks – MDBs although USAID backstops IFAD]; State Department (UN agencies and some humanitarian and refugee programmes); Peace Corps (volunteer programme); Department of Defense (some humanitarian programmes mostly for logistics); and Department of Agriculture (budget for food aid and PL 480, most of which is managed and implemented by USAID). See Table 1, which shows the percentage of aid handled by various channels.

A draft reorganisation bill for the State Department (the Helms-Gilman Bill), to be taken up by Congress in 1998 and which the US Administration supports, would keep USAID as an independent agency but would officially have the USAID Administrator report directly to the Secretary of State, rather than directly to the US President, as in the past. The draft bill would enhance policy consultation between State and USAID, and bring the USAID

Press Office into the State Department, while incorporating the United States Information Agency (USIA) and the Arms Control and Disarmament Agency (ACDA) into the State Department, ending their status as independent agencies.

The Government Performance and Results Act (GPRA) of 1993 requires all US government agencies to establish performance objectives and report progress annually to Congress. Under that law all federal agencies, including USAID, were required to: 1) establish long-term strategic plans (5 to 10 years) by 30 September 1997; 2) prepare annual plans with performance goals beginning with FY 1999; and 3) report annually on performance toward achieving those goals beginning March 2000. The thrust of GPRA is to place emphasis on results or outcomes of federal programmes. The Office of Management and Budget is responsible for monitoring GPRA implementation.

Linked to GPRA and the National Performance Review (NPR), a management reform initiative begun by President Clinton in 1993 and placed under the direction of Vice President Gore, many changes have been made at USAID. To test ways of improving performance and customer service by re-engineering work processes and eliminating unnecessary regulations, USAID, as an agency, undertook to become a "reinvention lab".[2]

In accordance with the Government Performance Results Act, USAID issued its Strategic Plan in September 1997. It sets out USAID's Mission statement:

> "USAID contributes to the US national interest through the results it delivers by supporting the people of developing and transitional countries in their efforts to achieve enduring economic and social progress and to participate more fully in resolving the problems of their countries and the world."

The Strategic Plan establishes six USAID goals. Under each goal there is a hierarchical framework of USAID Objectives and Program Approaches. Performance Goals with indicators are spelled out for each goal. This framework is intended to encompass all of USAID's programmes and align them in pursuit of common results. The hope is that better inter-agency coherence can also be achieved as all agencies and departments of the US government must do likewise. Those involved in foreign affairs and foreign aid must co-ordinate their strategic plans. USAID intends to pursue its development goals through partnerships with the people and governments of assisted countries, US businesses, non-governmental organisations, other US government agencies, private foundations, and other bilateral and multilateral donors. An active partnership strategy will therefore be central to the Agency's strategic planning process.

As the aggregate results are reported, the value and impact of development co-operation should be able to be demonstrated as never before to the US Congress and the public. The six USAID development goals are:

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

USAID also has a management goal: USAID remains a premier bilateral development agency.

In 1992 USAID began making annual performance reports, which have become increasingly informative. Starting in 1995 the Agency Performance Report was organised according to a strategic framework similar to the final Strategic Plan as adopted.

POVERTY ORIENTATION IN THE STRATEGIC PLAN AND POLICIES

The USAID approach to poverty is explicit in Goal 1 (broad-based economic growth and support to agricultural development). Poverty reduction is seen as dependent on social, political, agricultural, environmental and economic factors and is therefore implicit in the other five Goals. USAID specifically aims to help reduce the proportion of the population in poverty by 25 per cent by 2007 as a direct performance goal, and USAID has in effect adopted it as an interim goal leading toward the twenty-year horizon of the DAC *21st Century Strategy*, since the GPRA calls for a strategic plan up to a ten-year horizon. The following performance objectives are specified: *i)* critical, private markets expanded and strengthened; *ii)* more rapid and enhanced agricul-

tural development, and encouragement of food security; *iii)* expanded and more equitable access to economic opportunity for the rural and urban poor. In turn, these objectives are backed up by a series of specified performance goals and indicators ranging from standard GNP growth to measures of openness, and market reliance, and economic freedom. Poverty alleviation is intended to be an important outcome of the objectives of US assistance efforts in support of sustainable development, addressing global problems, facilitating political and economic transitions, and providing emergency and humanitarian assistance.

US efforts are meant to stimulate growth, supported by a wide-ranging concern for access by the poor to basic services and opportunities. Agricultural activities are meant to build capacity and address availability and access to drinking water, food security, agricultural and other technologies. Gender-based constraints in agriculture are given close attention, especially in Africa. In strengthening and expanding private markets, the United States encourages improvement of policies, laws and regulations governing markets; reinforcement of competitive markets; support to infrastructure such as telecommunications; privatisation of state-enterprise; training and technology transfer. Gender issues are well mainstreamed through the objectives and programme approaches under the broad-based economic growth goal. Specific focus is given to: enhancing the economic status of women through improvements in women's economic productivity and earnings; providing and expanding access by microentrepreneurs, particularly women, to financial services from viable institutions, access to markets and business training; ensuring women's right to own and use land.

THE NEW PARTNERSHIPS INITIATIVE

In line with the goal of improved partnerships for development, which is one of the pillars of the DAC *21st Century Strategy*, USAID has set out to enhance its basic methods of work with a New Partnerships Initiative (NPI). NPI is designed to promote the art and habit of strategic partnering for collective problem-solving at the community level. This approach is hinged on strengthening the role and contribution to development of host country local actors – from civil society, business, and institutions of democratic governance.

Box 1. **Partnership in Strategic Planning in Bolivia**

In preparing its Strategic Plan for fiscal years (FY) 1998-2002, USAID/Bolivia has carried out a new style of dialogue and partnership with the focus on customers. It includes an interactive process with beneficiaries, partners and stakeholders to ascertain their needs, and to test the feasibility and appropriateness of expected results against such needs.

For each strategic objective in USAID/Bolivia's Strategic Plan – democracy; economic opportunity; health; environment and counter-narcotics – an extended strategic objectives team was formed, representing a wide range of partners, stakeholders and beneficiaries. Thus, not only have the objectives been drawn up in strategic partnership, but they will be implemented and monitored in the same style of partnership. USAID headquarters does not review and approve activities at the field mission level; field missions are empowered to manage their approved strategic plan as they see fit. In addition, USAID has moved from a project mode to the idea of grouping activities in support of strategic objectives. Before re-engineering, development interventions were financed as projects. Projects in the same programmatic area (health, economic growth, democracy) were then loosely grouped under programme outcomes and strategic objectives. The "fit" between projects, programme outcomes and strategic objectives was often somewhat loose. Now USAID designs, approves and funds "activities" which are more tightly linked with strategic objectives and strategic results. Like projects, activities still go through an approval process where contracting, financial, programmatic and legal aspects are scrutinised and eventually authorised.

This partnership in strategic planning with extended strategic objectives teams represents a new approach to carrying out development co-operation. It grew out of the re-engineering process USAID has undergone over the past several years and the "New Partnerships Initiative" aimed at carrying out programmes with greater local participation and ownership.

A detailed description of this New Partnership approach, launched in 1995, is provided in a two-volume USAID publication.[3] The design process involved USAID headquarters and field staff and an array of non-governmental, business and government partners. NPI was piloted in 15 USAID Missions and further tested in more bilateral missions. Based on that experience it is now being implemented more widely (see Box 1 on how this approach has been used in Bolivia). It appears that this New Partnerships Initiative has the potential to transform significantly USAID's way of promoting partnership, but it is too early to tell if this will happen.

NEW INITIATIVES AND SPECIAL PROGRAMMES

In recent years, much of the United States' aid programme has been channelled through a number of substantive development co-operation initiatives, some of which are detailed below:

- The New African Initiative (also referred to as Partnership for Economic Growth and Prosperity in Africa or the Africa Trade and Investment Initiative). This effort, which started in Congress, involves many elements of the US Administration (National Security Council, State Department, Treasury Department, US Trade Representative, Overseas Private Investment Corporation, Commerce Department) in addition to USAID. It aims at supporting African countries in trade and investment liberalisation, human resource development, and improved policy management and governance. The instruments include enhanced market access, investment support, regional integration, catalysing American-African business relations, and designation of an Assistant US Trade Representative for Africa and a senior adviser on Africa to the Board of the Export-Import Bank (Eximbank).
- The Greater Horn of Africa Initiative is a Presidential Initiative begun in 1994 to respond to the major and persistent wars, civil strife and food emergency crises affecting many countries in the region.
- The Africa Food Security Initiative is a ten-year initiative to accelerate food security through agricultural development and poverty alleviation in Africa.
- The Leland Initiative fosters the adoption of improved information technology and communication practices by African policy makers and development partners. The activity works with host country governments, African telephone companies, African entrepreneurs and development institutions, and US private firms to introduce modern information and communication practices.
- Child Survival and Disease Programs Fund. For many years Congress has appropriated funds for child immunisation programmes; oral rehydration, health and nutrition, and related education programmes for mothers and children; water and sanitation; assistance for displaced and orphaned children. It has also appropriated funds for a Communicable Diseases Initiative for the prevention, treatment and control of infectious diseases such as tuberculosis, HIV/AIDS, polio, malaria and other diseases. For FY 1998 Congress appropriated $650 million plus $100 million for United Nations Children's Fund (UNICEF) for similar activities.
- Credit Guaranty Programs. These comprise three elements:
  - *a)* The micro and small enterprise development programme (loans and guaranties to encourage financial institutions to extend and expand credit to microentrepreneurs and small businesses at the grass roots; Congress encouraged USAID to target the poorest 50 per cent of those living below the poverty line, particularly women, in extending such credit).
  - *b)* The urban and environmental credit programme (formerly the "Housing Guaranty" programme). This programme extends USAID guarantees to US private sector investors who make loans to developing countries to support housing and community development for lower-income groups with an emphasis on urban and environmental problems; and
  - *c)* The development credit authority programme (market rate loans and guarantees to finance sovereign and non-sovereign development projects and municipal bond guarantees for infrastructure or pilot waste water treatment facilities). The FY 1998 Appropriations Act gave USAID general authority to provide credit assistance (direct loans and loan guarantees) for any development purpose in the Foreign Assistance Act of 1961) and up to $7.5 million can be transferred for such costs. While USAID intends to remain primarily a grant agency, the new credit authority is considered useful by USAID authorities in appropriate cases because of the "leverage" it provides. This is

because USAID would only need to finance the "true cost" of the credit ("credit subsidy") and not the principal amount of the loan or loan guarantee issued.

- Transition Initiatives. USAID's new Office of Transition Initiatives (OTI) promotes the transition of countries from the initial crisis stage to the path of sustainable development. Its activities include support for conflict resolution; demobilisation and reintegration of ex-combatants into civil society; community self-help projects aimed at reducing tension and promoting the democratic process; and landmine removal and awareness. USAID plans to increase the Office's budget to $45 million in FY 1999 from the current level of $30 million per year.
- The "Famine Early Warning System (FEWS)". USAID's office of US Foreign Disaster Assistance (OFDA) manages disaster relief in co-ordination with the State Department and the Department of Defense. To facilitate this disaster work, USAID has initiated a Famine Early Warning System described in Box 3 below.
- Collaborative Research Support Programs (CRSPs) were introduced in 1980 to tap the capacities of US universities to participate in programmes of sustainable agriculture and natural resource management to help developing countries produce food, fibre, fuel and shelter materials. See Box 2.
- American Schools and Hospitals Abroad (ASHA). This programme, begun in 1957, long a favourite of Congress, provides grants to private schools, libraries and medical centres overseas. These institutions are founded or sponsored by US organisations and serve as demonstration centres of excellence in education, technology and medical research. The American University in Beirut which has trained Middle Eastern leaders for 130 years, the American University in Cairo, medical centres in India and universities in the Philippines are examples of such recipients. Since 1986 this programme has received over $250 million. In FY 1998 it is funded at $15 million.
- Endowments. USAID has had more experience with endowments than any donor, having directly funded about 35 of them throughout the world (seven other endowments have been financed by other departments of the US Government). These endowments may either be used to strengthen institutions or to enable local grant-making organisations to function. A 1996 study concluded that endowments can help increase the capabilities of indigenous organisations as development partners and they involve less USAID monitoring and oversight than other types of activities.[4] While all USAID financed endowments continue to exist and seem to be making strong contributions to development, the study did not definitively assess their individual or collective impact and sustainability.
- Support for Eastern European Democracy (SEED) Act and the Freedom Support Act (FSA) are the basis for US assistance to Central and Eastern Europe and the Newly Independent States respectively. This support is designed to aid

Box 2. **Collaborative Research Support Programs (CRSPs)**

CRSPs are managed in collaboration with the Board of International Food and Agricultural Development and Economic Co-operation (BIFAD) and were started in 1980 to draw on expertise in US universities. Many CRSPs work with women's groups or are oriented towards improving women's income. Dozens of US universities participate in the programme. Current CRSPs exist in: bean/cowpeas, market systems; peanuts; pond dynamics/aquaculture; small ruminants; soil management; sorghum/millet; and sustainable agriculture and natural resource management. Over 70 countries benefit from these programmes. Some examples of results from these various research programmes: Two CRSP cultivars increased cowpea production 2.4 times the 20-year average in Senegal; in Ghana cowpea flakes (chip product) developed by the CRSP helped malnourished children recover by increasing protein in their diet; CRSP-developed disease resistant beans increased yields by 20 per cent in Honduras; a new CRSP peanut variety Fleur 11 produces 25 per cent more than present varieties in Senegal; in Thailand 4 new peanut varieties with greater potential yield and higher market value were released; a new breed of Kenyan dual-purpose goat with higher dairy potential to meet the needs of small-scale farm families was introduced; women's groups in Indonesia were created and trained for sheep raising; and two widely accepted sorghum cultivars released in Honduras show internal rates of return of 32 per cent.

central and eastern European countries and the New Independent States of the former Soviet Union (CEECs/NIS) through their passage to democracy and a market economy. USAID programmes have been devoted to economic restructuring, privatisation, fiscal reform, enterprise development, financial sector development, energy and environment and democratic transition (rule of law, civil society, local government), and social stabilization (targeted technical assistance).

- The Partnership for Freedom (PFF) initiative is a programme for the New Independent States of the former Soviet Union. The programme emphasizes partnerships between indigenous and US grassroots organisations – businesses, universities, hospitals, NGOs, and professional organisations. Activities have begun in Russia and Ukraine and will expand to Central Asia and the Caucasus in 1999. The primary strategic priorities of the initiative are trade and investment, economic growth, and civil society development. In Russia, the Gore-Chernomyrdin Commission provides policy guidance for activity implementation in Russia, with concentrated efforts in those regions where there is an openness to reform.

DEVELOPMENT CO-OPERATION INSTRUMENTS OF THE UNITED STATES: BILATERAL AND MULTILATERAL

USAID

USAID manages about 65 per cent of US official development assistance and is the government agency with primary responsibility for promoting sustainable development, for providing humanitarian assistance with bilateral resources and for managing bilateral aid programmes and activities. In theory, USAID reports directly to the President through the International Development Co-operation Agency (IDCA). But IDCA is not functional and the USAID Administrator *de facto* reports to the Secretary of State. The agency was reorganised in October 1993 (see Chart 1) and the re-engineering exercise has changed the agency in many ways. An important innovation in the re-organisation was the creation of a Global Bureau, which is the repository of much of USAID's technical expertise. It is a service bureau with the function of providing technical advice and support to regional bureaus, field missions and other parts of USAID. The Global Bureau also manages global programmes and a number of programmes funded from USAID's central programme budget. It provides scientific and technical leadership for USAID, assures the agency's co-ordination and representation on technical matters, and funds research. It is organised around five centres which address USAID's major strategic objectives (population, health and nutrition; environment; economic growth; human capacity development; democracy and governance), as well as key cross-cutting themes such as women in development (WID). The Administration has proposed legislation on the reorganisation of the US foreign affairs agencies which will affect how they operate and to whom they report. This legislation is now pending before the US Congress.

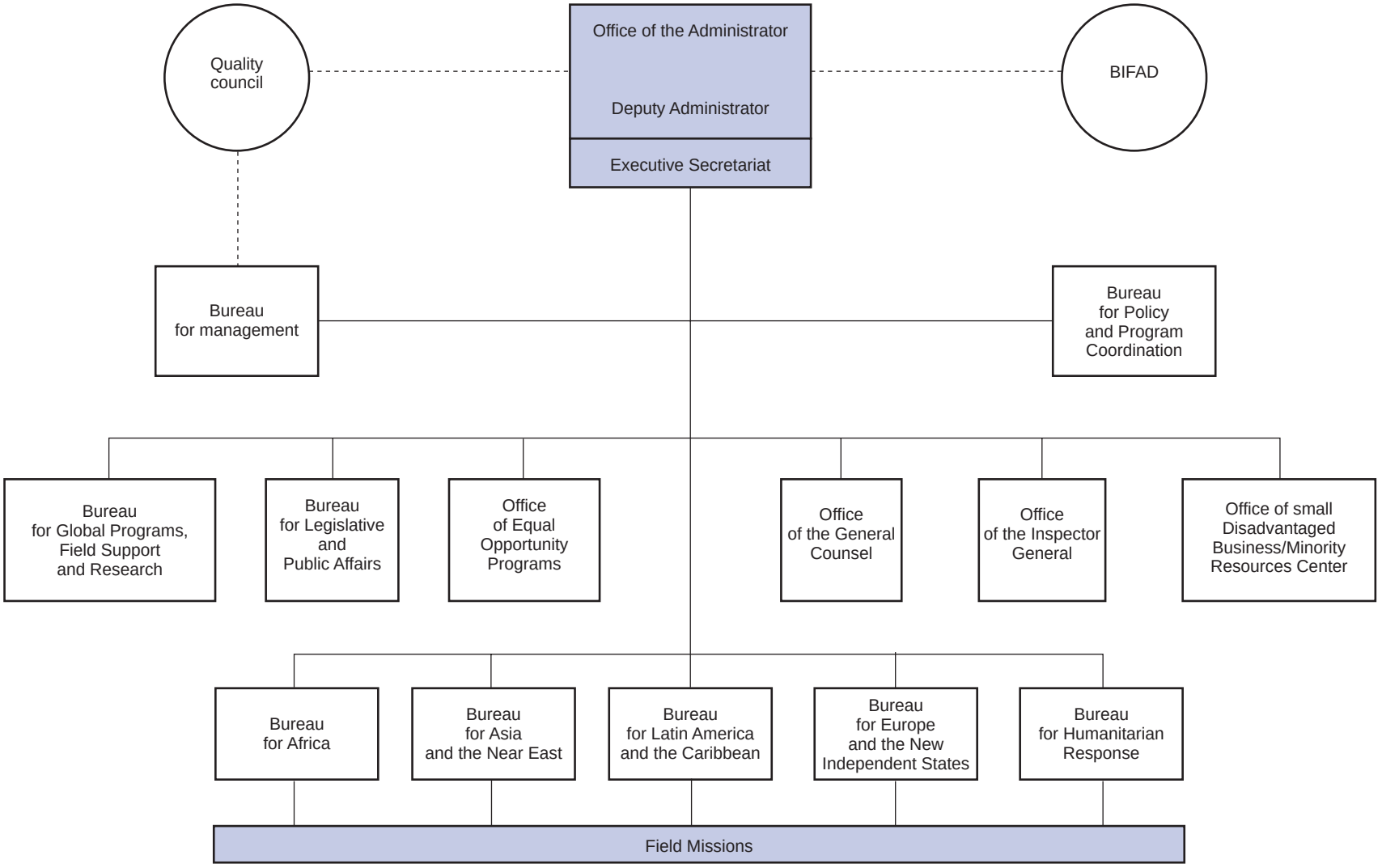
REFORMS IN USAID

The reforms in USAID in the past four years under the heading of re-engineering have involved:

- streamlining the agency's organisation and working to empower its staff to a greater degree;
- redesigning and simplifying its procedures (*e.g.* USAID no longer finances projects but activities under Strategic Objectives – see Box 1 on Bolivia);
- reducing the number of overseas missions and total agency staff (USAID has cut more staff on a percentage basis than all but one other US Federal agency);
- a world-wide information system, the New Management Systems (NMS), to improve its operations. NMS is a set of management software developed to support USAID in the area of accounting, budgeting, planning, achieving performance monitoring and evaluations, procurement assistance and acquisition, human resource management, and property management. Installation of this system is not yet completed and it has encountered problems which have attracted strong criticism. USAID officials concede that this innovation was over-ambitious in both timing and scope. Efforts are under way to cure NMS problems. USAID has adopted five core values to guide its management process:

  1. Customer focus. USAID has two types of customers: *a)* process customers (taxpayers who pay for its activities, Congress, donor partners, NGOs and contractors); and *b)* ultimate customers (recipients of aid and beneficiaries of assistance). The new operations system at USAID intends to involve partners and customers in planning, implementation and evaluation. The system assumes that by learning about customer needs and priorities through consultation and feedback, USAID can better frame strategic objectives and design effective courses of action.
  2. Results orientation. The goal of USAID programmes is to promote change. The focus must

Chart 1. **Agency for International Development (AID)**



Source: USAID, December 1997.

be on intended results. Managing for the achievement of results does not mean satisfying bureaucratic, regulatory or administrative requirements, but rather setting clear objectives and targets, collecting adequate information to judge progress, and adjusting strategies and tactics as required. The ability to demonstrate progress also strengthens the resolve of reform-minded leaders and their domestic constituencies in the countries where USAID works.

3. Empowerment and accountability. Empowerment means giving those who implement programmes the authority to make and carry out decisions as close as possible to where the action takes place, providing them with the resources to carry out those decisions and the flexibility to take initiatives and to respond to changing conditions. Those in charge are accountable for the end result.
4. Teamwork. Teams are groups of individuals who come together through consensus to achieve agreed-on objectives or results. USAID teams may include representatives of partners, contractors and customers.
5. Diversity. USAID aims to have a workplace environment in which each employee values the richness of diversity, experience and contributions of others.

When USAID was reorganised in October 1993 a management layer between the administrator and bureaus and independent offices was cut out, the number of major organisational units was reduced by five, and certain functional areas and geographic regions were realigned to facilitate co-operation among all bureaus, offices, missions and personnel.

The post closings and overseas restructuring (discussed below) reduced the number of USAID field missions by 28 between FY 1994 and FY 1997. The overall rationale for this was to achieve better results by focusing shrinking resources on those countries where development results could be expected and missions were closed as they attained graduation status, were deemed by USAID to be too small to be viable as independent missions, or because of the poor quality of the partnership with host countries. Underpinning this rationale, a driving force for overseas mission closings was the budget imperative. By closing so many missions, there is a concern that USAID weakened one of its finest assets – a strong field presence. Options to maintain a small presence in some poor countries targeted were arguably available within available financial and administrative parameters, but were not adopted because of an overriding policy decision to close missions and to reduce the number of countries with a USAID presence. Even where USAID in-country presence has terminated, some USAID-sponsored activities frequently continue under various management and institutional arrangements.

STRATEGIC PLANNING AND COUNTRY STRATEGIES

The most significant new change in USAID's method of operations is its strategic planning and performance monitoring system, as re-engineered. This system has as its main focus:

- Development of plans in active consultation with customers, partners and stakeholders.
- Plans that are composed of Strategic Objectives (the most ambitious result or intended measurable change that a USAID operational unit, along with its partners, can materially affect and for which it is willing to be held responsible).
- A result is a change in the condition of a customer or a change in the host country condition which has a relationship to the customer. A result is brought about by the intervention of USAID in concert with its development partners.
- A results framework is the development hypothesis, including those results necessary to achieve a strategic objective and their causal relationships and underlying assumptions. The framework also establishes the organising basis for measuring, analysing, and reporting the results of the operating unit.

A strong element for co-ordinating USAID programmes in the field is the Strategic Plan for the country, a region or a centrally managed programme. USAID has Strategic Plans in all countries where it is active. In fact each operating unit, which means each USAID field mission or USAID/Washington office which expends programme funds to achieve a strategic objective, must have a strategic plan. USAID Missions also prepare, when needed, specific strategic plans covering a major element of the country strategic plan (*e.g.* an Economic Opportunities Strategic Plan).

Strategic plans for countries and operational units provide the framework, in accordance with the agency's overall Strategic Plan, to articulate priorities, to manage for results and to tie the results to

the customer/beneficiary. USAID has had a strategic country planning system under different titles (development assistance plans, country assistance strategy statements, and country strategies) for forty years or more. However, the new strategic planning system is novel in its partnership approach and its focus on the customer/beneficiary and on results.

INTERNATIONAL CO-ORDINATION

In addition to participating in the numerous international co-ordination fora (DAC, World Bank Consultative Groups, Special Program of Assistance to Africa [SPA], UNDP Round Tables, and local aid groups), there are two international aid co-ordination programmes that should be underlined:

- the Japan-US Common Agenda, which has concentrated on HIV/AIDS, polio eradication, child survival, food security, health, environment, and civil society and democracy. There is a substantial portfolio of co-operative projects between the two countries and USAID has based an officer in Tokyo to assure co-ordination.
- the New Transatlantic Agenda (NTA) was launched in 1995 by US President Clinton and President Santer of the European Commission. USAID and the European Commission hold annual high-level Assistance Consultations and they jointly support programmes in democracy and governance, civil society, health and population, environment, and humanitarian assistance.

The relative shrinkage of US aid resources appears to have further reinforced the awareness at all levels in USAID of the need to improve co-ordination, on the international and country levels, and of USAID's stake in doing more to help make this improved co-ordination happen. This is recognised in the Strategic Plan and in the very definition USAID uses of a "result" in a results-based management system: a "result" is brought about "by the intervention of USAID in concert with its development partners". It is always difficult to assess aid co-ordination efforts of a donor in the field, particularly one like the United States, which has an extensive, world-wide programme. Given USAID's own analysis of the imperative of improved co-ordination and indications of uneven aid co-ordination in the field, other donors and partners will look to US approaches for building the difficult work of co-ordination into the incentive framework of normal and recognised tasks of its staff, and helping to make co-ordination much more systematic.

STAFFING AND FIELD PRESENCE

USAID's staff is composed of US career personnel (US direct hires, with slightly more civil service than foreign service staff), personal service contractors (PSCs), foreign service nationals (FSNs), third country nationals (TCNs), and additional staff working in USAID under agreements with other US Government departments and agencies. The total work force is slightly under 7 500, down from over 11 000 in 1991 (see Table A). About 75 per cent of these

Table A. **USAID direct hire and non-direct hire contract employees in the US an Overseas**

Includes Office of the Inspector General – Excludes TDA

Location	USDH		Tot. USDH	FSN/ TCNDH	Tot. DH	PSC*		Tot. PSC	** RSSA/ PASA	*** Other	Tot DH PSC/R/P Other	Non-PSC****		Total non-*PSC	Grand Total
	FS	GS				US	FSN/ TCN					US	FSN		
US	437	1 244	1 681	0	1 681	107	0	107	99	118	2 005	0	0	0	2 005
Overseas	744	0	744	347	1 091	385	3 924	4 309	25	34	5 459	1	3	4	5 463
Total	**1 181**	**1 244**	**2 425**	**347**	**2 772**	**492**	**3 924**	**4 416**	**124**	**152**	**7 464**	**1**	**3**	**4**	**7 488**

DH = Direct Hire (career service).
FS = Foreign Service.
FSN = Foreign Service National.
GS = Government or civil service.
TCN = Third Country National.
*PSC = Personal Service Contract – A PSC is one in which an employer-employee relationship exists. Includes some PSCs working overseas but have a duty station of USAID/Washington.
** RSSA = Resources Support Services Agreements; PASA = Participating Agency Service Agreements.
*** Other includes various Fellows programs and other arrangements.
****Non-PSC = Non-Personal Service Contract – Individual personnel employed under a direct A.I.D contract with a university, commercial firm or non-profit institution; and certain personnel employed under mission support-type contracts.
Source: USAID. On board as of 30 September 1997.

Table B. **Change in US career (direct hire) workforce levels since 1992**[1]

Location	Total USDH on 09/30/92	Total USDH on 09/30/97	Change in levels	% levels increased or decreased
AID/Washington	2 233	1 681	–552	–24
Overseas	1 173	744	–429	–36.6
Grand total	3 406	2 425	–981	–28.8

1. Includes Office of Inspector General.
Source: USAID.

employees are overseas. However, as can be seen in Table B, these are mostly foreign service nationals (4 668 composed of 744 career staff and 3 924 contractors). US career staff (direct hires) have been reduced by almost 29 per cent between 1992 and 1997. The largest cuts have been overseas. A Washington Workforce Plan has recently been unveiled. The main recommendations are that Washington staff in headquarters will be reduced over the next three years because of the declining operating budget. Career staff in the field will not be cut significantly and are expected to level out at about 700 US direct hire (career) staff. In the field, USAID programmes are generally implemented by contractors, grantees, and international organisations.

USAID has traditionally thought of itself as a field-oriented system, where the center of gravity for steering programmes was largely with overseas missions, although in fact, headquarters and congressional concerns have always weighed heavily in field mission activities. Nonetheless, extensive authority was delegated to the field so that project approvals and implementation decisions could be taken on the spot. This delegation of authority, which was already extensive, has been enlarged, in principle, under re-engineering. Under the new system field operating units are only required to send to headquarters of USAID/Washington two documents: the Strategic Plan (submitted about every five years) and the annual Results Review and Resource Request (R4 Report). Overseas missions are not required to send such things as activity specific documents or project papers to headquarters for review under the new system. Managers in the field/design, approve, implement, and monitor activities (no longer called "projects" – see Box 1 on Bolivia), based on approval in headquarters of the two documents mentioned above. This extensive authority in the field is in accordance with USAID's core value of empowerment and accountability.

Those who implement programmes in the field should have the authority to make and carry out decisions, and they are held accountable for the end results.

USAID manages programmes in presence and non-presence countries. Presence countries are those in which USAID maintains US direct-hire government employees. Non-presence countries are those in which there are USAID financial activities but there are no permanently assigned US direct-hire government employees.

As of 30 September 1997 USAID had US direct hire foreign service field staff posted as shown in Annex 2. Between FY 1994-97 USAID closed 28 field posts and will close one more (Niger) in FY 1998. The posts closed are shown in Annex 3. In many cases, more than one criterion has come into play in making close-out decisions. On the one hand, several countries have graduated from USAID assistance; that is, sustained progress has let them attain levels of economic and social development that greatly limit their need for further foreign assistance. Thailand, Tunisia, and Costa Rica are examples of such graduates. A related criterion has come into play in the case of several countries in Eastern Europe, which have achieved relatively rapid success in the process of transition to market economies and democratic governance: the Czech Republic, Estonia and Slovenia fall into this category. On the other hand, several missions have been closed in countries whose development partnerships had proved unsatisfactory. In certain cases, statutory requirements by Congress have played a major role in close-outs, *e.g.* Pakistan's failure to maintain certification under the Pressler Amendment on nuclear development. In yet other cases, a small country population has contributed to a decision to close country missions; in some of these situations, selected activities have been shifted to regional missions in order to take advantage of economies of scale. Even when a programme is closed, some assistance may continue as part of global initiatives or as humanitarian assistance through non-governmental organisations.

OTHER BILATERAL INSTRUMENTS OF THE UNITED STATES

Other instruments of US Government foreign assistance are:

- The Trade and Development Agency (TDA), a small, independent US agency legally under IDCA, but which *de facto* reports to USAID and the State Department. TDA has a the dual mandate: 1) to promote US exports by funding feasibility studies, consultancies, trade-related training, and through the sponsorship of international conferences and trade missions; 2) to support economic growth and development in partner countries. Contracts funded by TDA through grants to developing countries must be awarded to US companies. Projects must be a development priority, present the potential for substantial sales of US goods and services, and lead to untied financing of project implementation so procurement will be potentially open to US firms. Funds for TDA, which are counted as official development assistance, have expanded from less than $5 million in FY 1980 to over $45 million in 1997. For FY 1998 TDA was appropriated $41.5 million. TDA has a staff of 37 and co-ordinates its programmes through the US Trade Promotion Co-ordinating Committee (TPCC) working closely with the Department of Commerce, Eximbank, OPIC and export promotion agencies.
- Two US Government-sponsored foundations exist to support regional development: the Inter-American Foundation, a public corporation created by Congress in 1969 to support self-help efforts of the poor in Latin America and the Caribbean and the African Development Foundation, created in 1980 to do similar work in Africa. These two foundations are funded at about $22 million and $14 million respectively in FY 1998, and their budgets are counted as ODA.
- The Peace Corps was established in 1961 and became an independent agency in 1981. It presently has 6 500 volunteers (58 per cent female) serving in 85 countries. Presently volunteers serve in education (2 500 or 38 per cent); environment (1 200 or 18 per cent); health (1 200 or 18 per cent; business (850 or 13 per cent); and agriculture (600 or 9 per cent). Some 150 000 volunteers have served in the Peace Corps since 1961. The Administration plans to increase the number of volunteers to 10 000 by the year 2000. The FY 98 budget is $222 million, much of which is counted as ODA. In 1996 a Crisis Corps, within the Peace Corps was established to send experienced volunteers and returned volunteers to provide short-term assistance following natural disasters or during humanitarian crises.
- The Overseas Private Investment Corporation (OPIC) is a self-sustaining US government development agency, which facilitates the participation of US private enterprises in the development process by providing political-risk insurance, financial services and special investment encouragement activities. The activities of OPIC were handled by USAID until 1969 when OPIC was created by Congress. Since the Agency is self-sustaining there is little or no ODA provided in its programme.

The Export-Import Bank (Eximbank) does not provide ODA, but export credits. It was created in 1934 as an independent US government agency and by law can supplement and encourage, but cannot compete with private sources of capital. Eximbank extends loans to foreign buyers of US exports, loan guarantees to commercial lenders, export credit insurance to US exporters and lenders, and working capital guarantees for pre-export production. In FY 1998 Eximbank was appropriated $683 million for programmes. Between 1992-96 Eximbank received about $4 billion in taxpayer support. Eximbank recently announced plans to blend loans with guarantees. Eximbank also manages a $300 million tied aid capital projects fund ("war chest") designed for defensive purposes to be used to counter foreign countries' use of tied aid. Each use of these funds must be notified to Congress. During 1994-96 Eximbank approved the use of war chest funds 40 times but only actually used the funds 9 times. The US does not have a "mixed aid credit" programme.

MULTILATERAL PROGRAMME

In spite of major delays in and debates about US funding of multilateral development co-operation programmes, the US remains one of the most important funders of the multilateral system, and also attempts to exert substantial policy influences through such programmes. US financial contributions are outlined in Table 3. The Treasury Department has lead responsibility for US participation in International Financial Institutions (IFIs), which includes the International Monetary Fund and the Multilateral Development Banks (MDBs). The Treasury Department works closely with the State Department and USAID to monitor country-

assistance strategies and project plans within the MDBs. At the top of the Treasury Department's IFI/MDB agenda is the promotion of reforms and improved donor co-ordination.

The Early Project Notification System, put in place by the Treasury Department and USAID in 1982 and recently strengthened, is a mechanism for providing early notification to interested parts of the US Government, including Embassies and USAID field missions, of upcoming MDB projects and World Bank Country Assistance Strategies. The object is to solicit input from staff at the working level in the country concerned. The inputs received are processed by the Treasury Department and channelled to the US Executive Directors of MDBs so that they can take appropriate action when these matters are under consideration in their respective MDBs. As noted in the Case Study of the United States on Environmental Considerations in Development Co-operation (OECD/DAC – September 1996) this system was instrumental in pressuring changes in favour of increased concern for environmental issues in the MDBs.

During the 1994 DAC Review, the Committee welcomed the intention of the United States to pay arrears to the UN system and to MDBs, but it was concerned that these plans should not result in a reduction of US contributions to future financing of these institutions. The problem of arrears still remains and is probably most serious regarding the UN system. A legislative package to cover past arrears of some $1.2 billion to the UN based on a three-year plan collapsed in November 1997 due to an unrelated issue (abortion). A proposal to pay UN arrears is again to be presented by the Executive Branch to Congress in early 1998 and is considered a high priority.

On the other hand, 96 per cent of the FY 1998 budget request was met regarding MDBs. The arrears of the US to MDBs peaked in FY 1996 at $1 467 million. They amounted to $862 million in 1997, and are expected to be reduced to about $600 million at the end of FY 1998. The Executive Branch has presented a budget to Congress to cover these arrears as well.

US multilateral policies and actions receive considerable public attention. With respect to IFIs/MDBs the US exercises its influence not only as one of their largest contributors, but also intends to do so through intellectual inputs. The Strategic Plan for Treasury International Programs for FY 1998-2003 (September 1997) sets out the strategic policies of the US towards IFIs. The Mission Statement of the Treasury International Programs is:

> "To advance US global economic, political, commercial, environmental and humanitarian interests by using US leadership in the IFIs and bilateral debt reduction to promote international monetary stability, sustainable economic growth and development, poverty reduction, private sector development and good governance."

Under this mission statement are the following three strategic objectives:

a) fostering international monetary stability;

b) supporting broad-based sustainable development and market-oriented policies; and

c) seeking reforms of IFIs to increase their development and cost effectiveness.

Under the second goal, the Strategic Plan outlines the development issues with the focus on four priority areas: broad-based development and poverty reduction; good governance; sustainable development; and private sector development. The Plan identifies high priority areas and says the US aims to "press MDBs to channel appropriate amounts of lending to... social sector investments (*e.g.* health, education, clean water, safe motherhood, early childhood development, and prevention of female genital mutilation), small and micro-enterprise development, and cross-cutting concerns (*e.g.* environment and gender equity). Ensure MDBs implement specific targets where they exist; if, and only if, necessary and effective, work to set targets in certain areas".

The Treasury intends to ensure that MDB lending is channelled to those countries which are in the greatest need of resources and which are implementing development and reform policies so that MDB resources will be used effectively. Treasury will push MDBs to revise, decrease or eliminate, as appropriate, lending to poor performers.

In the area of good governance, it will be US policy to ensure that all MDBs have policies to promote transparency, accountability, participation and predictability (or rule of law), and combat corruption. It is the US intention to push the MDBs to improve analysis of borrowers' fiscal expenditure priorities, in particular as they relate to military spending.

With respect to sustainable development and the promotion of the sustainable use of natural resources and full integration of environmental

considerations into project development, US Executive Directors in MDBs have pushed hard to put these ideas into the mainstream of MDB policies with some success. This has been bolstered by the Early Project Notification System, noted above, which provides them with detailed information about proposed MDB projects based on reports from Embassies and USAID Missions on the spot. In this field the United States intends to work to ensure that all MDBs establish environmentally appropriate policies, including on water and air quality, forestry, transport, energy, indigenous peoples, resettlement and public participation, and see that the policies are fully implemented. MDBs will be pressed to implement environmental and social reviews and incorporate environmental and social considerations systematically into MDB project design. The US also advocates development of regional or ecosystem-wide environmental plans for sustainable development of cross-border areas.

Private sector development is promoted as the engine of growth so the US intends to press MDBs to support market-oriented policies and regulatory reforms in borrowing countries to stimulate trade, investment and private sector development. MDBs will be pressed to implement policies and programmes, including technical assistance and training, which support the development of efficient and open financial markets and take a strong role in promoting divestiture of state-owned enterprises.

One of the priority concerns of the United States is to increase the development cost-effectiveness of IFIs. The Treasury Department Strategic Plan lists a number of objectives to make IFI operations more efficient and effective, including improvement in financial management, resource allocation, project quality, harmonization, transparency and accountability and internal controls. To pursue these goals the Treasury Department is in regular contact with IFI management through its Executive Directors and member governments. The Plan recognises that "The US has just one voice among the many member countries of these institutions. It cannot exercise unilateral control, but must pursue its goals by exercising its influence judiciously. In fact, building coalitions has become an important part of the effective exercise of US leadership". Thus, Treasury Department officials believe that by working with other Member Governments of IFIs and discussing where and how improvements can be made in the key areas outlined above, progress can be made in increasing the development cost-effectiveness of IFIs. They devote considerable energy to developing and presenting background information on IFI performance so as to convince their partners of the need and methods for carrying out reforms.

Except for USAID's backstopping of the International Fund for Agricultural Development (IFAD), the State Department is primarily responsible for the remainder of the multilateral programme. It involves support for international organisations and programmes, most of which are UN agencies. The State Department has established, in addition to its own Strategic Plan, a Strategic Plan for International Affairs, just as the Treasury Department and USAID have done. It views multilateral agencies as important in promoting and maintaining peace, strengthening democratic institutions, and fostering economic prosperity and sustainable development.

These multilateral agencies tackle a range of problems, such as nuclear proliferation, famine, ethnic conflict, rapid population growth, and environmental degradation, that cannot be solved solely through unilateral and bilateral action. About 80 per cent of the State Department's multilateral organisations budget is devoted to three key UN agencies: UNDP, UNICEF and United Nations Fund for Population Activities (UNFPA). The remaining funding goes to a host of smaller agencies and programmes that promote economic growth and protect the global environment (*e.g.* Montreal Protocol Multilateral Fund). Other US agencies and departments have direct interest in the work of UN and international agencies (*e.g.* Agriculture Department for FAO, Department of Health and Human Services for World Health Organisation, Department of Labour for the International Labour Organisation). USAID works with a range of UN and other international organisations at both headquarters and field level such as UNFP, UNICEF, WHO.

The International Affairs Strategic Plan (September 1997) of the State Department takes the position that "multilateral co-operation and communication will prove increasingly feasible and effective to prevent crises, resolve problems, build trust, and advance common interests. Relations between nation-states will nevertheless remain central to the conduct of international affairs, but non-governmental actors will gain increasing influence".

Several State Department goals rely heavily on multilateral action. The first is increasing foreign government adherence to democratic practices and respect for human rights. Support for democratic

transition depends in part on multilateral assistance over a range of activities: building, strengthening and employing international fora to secure democratic transitions; to prevent conflict; to promote human rights, including labour rights; and to support multilateral sanctions. Multilateral institutions are also important to promote human rights and the rule of law.

Second, preventing human costs of conflict and natural disasters is included as part of the strategy. Here the aim is to ensure that international organisations have adequate emergency response capabilities and partnerships with NGOs and PVOs to address humanitarian crises. Third, securing a sustainable global environment, which has a profound impact on the United States, requires US leadership in multilateral organisations. It is US policy to reform and reinvigorate UN institutions and mechanisms to address international environmental problems more effectively. Fourth, stabilizing world population growth, a goal the State Department shares with USAID, calls for multilateral investments in population-related activities. It is therefore part of the strategy to foster international co-operation and to improve the policy environment in which population programmes are developed and implemented, including policies and programmes to enhance the socio-economic and political status of women. Finally, the goal of protecting human health and reducing the spread of infectious diseases unquestionably calls for increased international co-operation for prevention, surveillance, and response to infectious diseases.

Co-ordination of the US multilateral action depends on several mechanisms similar to those described in Chapter 7 below: strategic planning; various task forces and working groups (Working Group on Multilateral Assistance); and through the budget process. There are two other mechanisms used in this area. One is the "Tuesday Group", an informal forum of US government agencies and over 40 international environmental NGOs which meets to discuss environment policies and projects of MDBs. It is co-chaired by USAID and the Bank Information Center (BIC), a Washington-based international NGO. It focuses on environmental, natural resource, public health, and indigenous peoples' issues in an effort to improve MDB performance in these areas. There is also an inter-agency consultation process for the country Consultative Groups of the World Bank and UNDP Roundtables. USAID has lead responsibility for US Government participation in World Bank Consultative Groups (CGs) and UNDP Roundtables. US objectives and positions on CG and UNDP Roundtable issues (development strategies, assistance requirements, and levels of US assistance) are determined through inter-agency consultations.

PRIVATE VOLUNTARY ORGANISATIONS (PVOS)

Private voluntary organisations (PVOs) are strong in the US. They provide substantial amounts of privately-donated aid (an estimated $2.4 billion in 1996) and a high level of ODA, about $1.4 billion in 1996, is channelled through them as well. Since the 1940s, the US Government has assisted PVOs in overseas activities so the partnership is long-standing and the Administration has indicated that it wishes to further intensify this co-operation. The main new developments in this field are:

- Consistent with client-oriented re-engineering principles, a joint USAID/PVO task force produced joint recommendations that led to a series of reforms and a new USAID/PVO Partnership Policy Paper (1995) placing emphasis on participation and consultation.
- The Advisory Committee on Voluntary Foreign Aid published "An Assessment of the State of the USAID/PVO Partnership" (June 1997) which found that the USAID/PVO partnership was significantly stronger than it had been four years earlier.
- USAID has changed its cost-sharing level to encourage flexibility in its implementation without specifying any minimum amount. This attempts to bring PVOs more in line with other grantees, such as universities and other non-profit organisations which are not required to make any minimum level of financial contribution to USAID-funded activities. To assure that PVOs receiving USAID funds have grassroots support in the US for their overseas work, foreign assistance appropriations legislation requires that in order to receive development assistance funds, USAID-registered US PVOs must obtain not less than 20 per cent of their total funding for international activities from sources other than the US Government.
- In 1995 USAID simplified its registration system for PVOs seeking to register with USAID.
- PVOs depend less on government funding than ever before. In 1997 US PVOs received private support of $6.3 billion, more than five times that received from USAID (including food aid) which the PVOs estimated at $1.2 billion.

Due to gaps in US reporting, the Secretariat cannot determine the percentage of US ODA provided through NGOs. Estimates from USAID suggest that it has grown in recent years from around 27 per cent in 1994 to over 30 per cent of bilateral ODA in 1995, with an upward trend through 1997. Following Vice President Al Gore's announcement of the "New Partnership Initiative" (NPI) at the World Social Summit in 1995, the United States intends to provide up to 40 per cent of its foreign development assistance through non-governmental organisations – both US based and indigenous. As noted above, the New Partnerships Initiative is an approach to sustainable development that stresses partnering capacity. Both US and local PVOs/NGOs play an important role in this partnering process.

The Office of Private and Voluntary Co-operation (PVC) is the USAID focal point for PVO activity. As of October 1997, 424 PVOs were registered with USAID. Under the Federal Advisory Committee Act, the Advisory Committee on Voluntary Foreign Aid has, since 1947, acted as an advisory committee to USAID on relations between USAID and the independent voluntary sector. InterAction is the largest membership coalition of PVOs and related organisations in the US. It has 153 member organisations. Currently, USAID administered funding for PVOs covers a wide range of development sectors: agriculture; rural development and nutrition; population planning; health; child survival; international AIDS prevention and control; education and human resources; private sector; environment and energy; democracy and governance; and international disaster assistance. These sectors are funded from the following appropriation accounts: Sustainable Development Assistance, Child Survival and Disease Programs Fund, Economic Support Fund, Assistance for Eastern Europe and the Baltic States, Assistance for the New Independent States of the Former Soviet Union, International Disaster Assistance, and Food Aid to Developing Countries (appropriated to the US Department of Agriculture).

The latest overall study of American PVO activity was made by the US General Accounting Office.[5] The report said PVOs have been generally effective in community-based development projects, but lacked wide experience in working with governments and institutions on sectoral and macroeconomic policy reforms necessary to create an environment favourable to development, although some PVOs have begun to expand their activities into those areas. Projects reviewed generally included local capacity-building elements. Project success depended on good project design, competent in-country staff, and local participation. PVOs generally worked with or through local indigenous governmental or non-governmental organisations and addressed well the question of increasing local participation and developing local capacities. Concern for accountability for funds has been an issue but the report found evidence of improved accountability in the PVO community. However, as the amount of funds provided through PVOs increases the question of accountability will remain an important concern.

CAPACITY DEVELOPMENT EFFORTS

OVERALL DIRECTIONS

Building capacity is an underlying goal threaded through many USAID programmes. This chapter outlines some of the major strategic areas where this theme is emphasized. USAID has traditionally placed a high premium on replicability of projects, their sustainability, and building institutions, training of trainers, and building local capacity. Some examples are provided to demonstrate the application of this approach.

BROAD-BASED ECONOMIC GROWTH

Under the strategic heading of broad-based economic growth, USAID experience indicates, in parallel with World Bank findings, that open economic policies tend to correlate with broad-based economic growth. Thus, easing foreign exchange controls, eliminating obstacles to business ownership, and reducing bureaucratic delays and opportunities for official corruption all tend to favour improved broad-based economic growth. One of USAID's most widespread areas of activity is helping to improve policies, laws and regulations that govern market activities, and strengthening institutions and systems that support and reinforce markets. In virtually all countries where USAID has a substantial programme, these types of activities are present, sometimes accompanied by support to improve infrastructure (*e.g.* rural roads, modernising telecommunication systems). Among many other examples, USAID points to Zambia where USAID-supported privatisation activities succeeded; Zimbabwe where a USAID-supported policy reform helped to increase exports; and Ghana, where non-traditional exports increased greatly after foreign exchange controls were abolished and exports liberalised.

On the institutional side, USAID provides a range of technical assistance to strengthen capacity particularly in financial institutions. In West Africa, USAID gave support to the West African Enterprise Network through which African business representatives provide local private sector input to policy-making and economic reform processes. This network became self-sufficient in 1996. The Africa Business Round Table, which promotes dialogue between the public and private sectors on economic development issues, is another activity supported by USAID. In India, USAID strengthened the analytical capacity of public economic policy research institutions and private institutes to improve non-governmental economic policy advocacy. In India, Indonesia, the Philippines and Sri Lanka, USAID helped to develop and improve capital market structures and systems to mobilise foreign and domestic capital.

EXPANDING ACCESS AND OPPORTUNITY FOR THE POOR

In the majority of countries where USAID is active, the expansion of access and opportunity for the poor, particularly women and other disadvantaged groups is a major thrust of the programme, as part of the "broad base" which is promoted for economic growth. These activities are in a variety of fields: regulatory, legal and institutional reform; improved access to financial services for micro-entrepreneurs; and expanded access to technology information and outreach services. In Mali, for instance, an extensive market-restructuring programme begun over ten years ago has improved national and household food security and income. In Zimbabwe, USAID's business development project helped formulate antitrust legislation to lower market entry barriers for small and medium-sized businesses. USAID is helping to replicate the Grameen Bank model of microcredit in India, Nepal and the Philippines. The Jana Shakthi women-owned poverty lending society in Sri Lanka and the Sewa Bank in India (a self-employed women's association incorporated as a bank) are examples of projects that have helped women obtain credit.

USAID has tried to expand opportunities in historically neglected areas with high concentrations of poor. In South Africa, the USAID sponsored Black

Entrepreneurship and Enterprise support project and Black Integrated Commercial Support Network helped disadvantaged South Africans to expand their access to capital resources. In Nicaragua USAID helped develop microenterprise opportunities and to increase rural employment in productive jobs.

EXPANDED AND IMPROVED BASIC EDUCATION

USAID's main object in improving basic education is to increase human productive capacity. Over 20 USAID missions have basic education objectives to help lay the groundwork for national productivity by ensuring that citizens can acquire reading, writing and numeracy skills. USAID also sees education as a foundation for full participation in stable, democratic societies. Since the 1980s USAID has conducted research, promoted policy reform and developed programmes to increase school participation, especially by girls, and to improve quality of education, with a key focus on basic education. For instance, in Egypt increased financial support for girls' education and community-assisted schooling in rural areas have been supported to help close the gender gap. USAID has helped African countries in education policy reform to encourage adequate national budget allocations for basic education. Benin, Ethiopia, Guinea and Malawi were helped to increase the share of the budget for primary education and, in particular, the non-salary share. In Nepal USAID worked on women's literacy programmes, helping more than 260 000 women to become literate.

Goal 3 of the USAID's 6 Strategic Goals, which calls for "human capacity built through education and training", addresses this issue. Four performance goals have been established to support it. These are: *i)* the proportion of the primary school-age population that is not enrolled should be reduced by 50 per cent by 2007; *ii)* the difference between girls' and boys' primary enrolment ratio should be eliminated by 2007; *iii)* primary school completion rates should be improved; *iv)* higher education enrolments increased. The USAID approach is fully compatible with the education targets in the DAC's *Shaping the 21st Century*, and is already supported by the use of accepted international indicators.

A particular vehicle for promoting the capacity of girls and women is the Girls' and Women's Education Initiative (launched in 1995). USAID recognises that investing in the education of girls yields high returns for developing countries and that it is strongly related to social and economic development. The new initiative aims at helping decision makers in developing countries to create their own solutions to lowering barriers to girls' education and to mobilise their own strategies and resources to increase girls' educational opportunities. Six emphasis countries (Ethiopia, Egypt, Guatemala, Guinea, Mali and Morocco) and five co-operating countries (Bolivia, Cambodia, Honduras, India, Nepal) are the major focus of this initiative. Over the next five years it aims to increase girls' primary school completion by 20 per cent in the emphasis countries. In the co-operating countries it aims to use research findings to help donors and governments invest resources where they will have the greatest effect on increasing women's educational opportunities. The Initiative examines how decision makers in each sector can work together and create coherent interventions that complement each sector.

Actions so far include development of local constituencies to promote and sustain girls' education policies, programmes and practices in Guatemala, Guinea, Malawi and Mali; local community support for girls' education in Egypt, Guatemala, Pakistan; social marketing campaigns in Malawi and Guatemala; teacher training programmes and girls' education material in El Salvador, Guatemala, Honduras and Malawi.

A few key lessons are integrated into the approach to education and to girls' education, namely, education programmes are most effective when they are owned by the community concerned, rather than the donors, and are most effective when they are in line with the national development strategy of the country. They must respond to economic, policy, socio-cultural and economic factors which affect educational policies, curricula, school locations, school fees, and teaching methods

DEMOCRACY AND GOVERNANCE

Democracy and governance is a strategic focus for 80 per cent of USAID's field missions. Programme approaches center on rule of law, elections and political processes, civil society, and transparency and accountability in governance. Activities commonly support improving citizen participation, empowering minorities and vulnerable groups, engendering greater local government responsiveness and accountability to citizen needs, improving the legal environment and judicial systems and strengthening human rights. New legislation, both criminal and civil, has been introduced in many

countries with USAID help. The USAID Women in Politics programme gives women a chance to become more effective voters, advocates and legislators. While these types of programmes are extremely widespread in the USAID portfolio, comparing results across programmes and measuring their results has been a difficult challenge. The USAID Global Bureau Center for Democracy and Governance has worked to address this need by developing performance-based measures of impact.

Not only has preparing legislation been an activity, but also helping to challenge the constitutionality of some laws. In Nepal, for example, USAID helped four womens' NGOs to challenge an inheritance law restricting women from inheriting property or passing it on to their daughters. Nepal's high court gave the government one year to amend the law.

In the judicial sector, USAID has helped to strengthen or establish judicial schools in many countries (Bolivia, El Salvador, Guatemala, Peru). In Guinea-Bissau USAID helped to create a small-claims court, and an alternative dispute resolution programme was supported in Sri Lanka to train community-based mediation boards. Respect for human rights, monitoring and reporting abuses, and increasing the public's unwillingness to tolerate them are all themes for USAID programmes in many countries. In Malawi USAID-supported NGOs educate rural Malawians on their human and legal rights, following through on USAID help to the country to promote the passage of a gender-sensitive constitution. In Mongolia, five new women members of parliament linked their decision to run for office to their experience at a USAID-funded workshop to raise women's political awareness.

CAPACITY BUILDING IN ENVIRONMENTAL MANAGEMENT

In the area of the environment, one of USAID's primary approaches is to work with countries to strengthen the management of protected areas and to safeguard ecosystems by building in-country institutional capacity to manage those areas. In this approach, USAID works to help link the benefits to the population's own capacity and to help secure long-term financing for the viability of conservation initiatives, beyond USAID assistance. In many countries, such as Bolivia, Ecuador, Guatemala, Madagascar and Uganda, USAID helped to protect critical habitats and to extend legal protection to protected areas. Parks in Peril, USAID's latest regional programme devoted to strengthening protected areas, helps to improve on-site management in 28 parks in Latin America, covering 7.8 million hectares. This extends to training park managers and guards, building basic infrastructure and demarcating borders. Parks in Peril also helps to strengthen NGOs involved in environmental activities around parks. USAID has promoted restructuring the energy sectors of developing countries, working with multilateral financial institutions, NGOs and the private sector to open the power sector to market mechanisms, to improve opportunities for use of renewable energy sources, to increase efficiency in energy use, to promote clean energy sources, and to increase awareness and responsiveness to environmental needs and problems.

HUMANITARIAN RESPONSES AND CAPACITY BUILDING

In the humanitarian programmes managed by the Office of US Foreign Disaster Assistance (OFDA), capacity building is kept in mind, and is indeed one of the central thrusts of the office in prevention, mitigation, preparedness and planning. One example is in reinforcing community coping capacity in the Greater Horn of Africa where livestock is a major economic asset and rinderpest can cause a 90 per cent herd loss in a matter of days. Working with a number of partners in its Famine Mitigation Activity, OFDA helped introduce technologies to produce a vaccine in African institutions and to train individuals in affected communities to administer the vaccines. Another example is the emergency shelter repair programme in Bosnia-Herzegovina where building local capacities to minimise beneficiaries' dependence on relief assistance was a central theme of the programme, which repaired 2 500 badly damaged homes throughout the federation, using local labour to help generate jobs and strengthen local contractors.

GENDER ISSUES

The Office of Women in Development was established by USAID in 1974 to help ensure that women participate fully and benefit equally from US overseas development assistance. It is probably the earliest example of a significant women in development effort being instituted in a development co-operation agency.

In 1996, USAID established a new Gender Plan of Action, based on 20 years of experience and developed partly as a response to the Beijing Platform for Action from the 1995 UN Fourth World Conference on Women. This agency-wide blueprint aims at ensuring that gender issues are institutionalised throughout USAID development programmes and projects. It calls for: better data collection and analysis (with indicators to measure the impact of programmes on the social and economic status of women); revision of position descriptions for Agency Program Officers to include specific responsibility for addressing gender issues, especially for future recruitment; staff training and technical assistance to strengthen knowledge of gender issues within the Agency; and new guidelines for USAID grantees and contractors which require that grant applicants demonstrate their ability to address gender issues. Current implementation of the action plan is encouraging. Gender issues are addressed in the agency across the board, both in its Strategic Plan and in regional and Mission programmes, and are part of regular programming processes at headquarters and in the field.

The WID Office in Washington, DC is now strategically located in the Global Bureau which provides it with good leverage. It is staffed with nine career specialists. It launches its own initiatives and also responds to needs and requests identified by all parts of the agency. This system is functioning well for two significant reasons. First, USAID staff are sufficiently aware of the gender imperative to include it in their general approaches and some activities, and to know when to solicit specialised assistance. This assistance can be provided by the Global Bureau WID Office. Second, the G/WID Office staff are professional specialists in specific fields who conduct their analysis from a gender perspective. The advice they provide is therefore relevant and appropriately targeted. Some geographic bureaus and field offices have their own WID/gender specialists or focal points, both career and on long-term contract. Moreover, USAID has several long-term contractual mechanisms to rapidly provide gender-related technical assistance and training for programme needs.

The Global Bureau WID office supports efforts to:

- enhance the economic status of women throughout the developing world;
- expand educational opportunities for girls and women;
- improve women's legal and property rights and increase their participation in governance and civil society; and
- integrate gender issues throughout USAID regional and country programmes.

Some new Global Bureau WID Office initiatives have been launched recently by the Agency. The WID Office oversees a Womens' Legal Rights Initiative, launched at the Fourth World Conference on Women in Beijing. This initiative supports women's political, economic and social empowerment through the promotion of their legal rights, and focuses on democracy, governance and womens' legal status. The Women in Politics project, funded initially by the Global Bureau WID Office and the Bureau for Asia Near and Near East (ANE), has now become a world-wide initiative led by the Democracy Center. The Girls' and Women's Education Initiative, launched by First Lady Hillary Clinton in Copenhagen at the Social Summit, is a collaborative effort between the G/WID Office and the Center for Human Capacity Development (see also Education).

On-going integration of gender issues into policy, objectives and activities is reinforced by a system of requirement and incentives. Each Mission is

required to review its mission orders to ensure that gender issues are considered at appropriate points in planning, achieving and evaluating program results. A WID "Performance Fund" will provide performance incentives to programmes. Regional Bureaus and Missions have specific approaches to gender issues and women's empowerment. For instance, the Asia and Near East Bureau has a strategic priority to "reduce gender disparities for greater development impact" to address the low status and poverty of women in many parts of the region. The Bureau has a regional Women's Empowerment Initiative, focusing on the regional issues of migrant women workers, trafficking, and advocacy. USAID/Nepal Mission has a strategic objective, which explicitly addresses women's empowerment through literacy, legal rights, and microenterprise activities. USAID/India has included a special initiative focusing on women in its strategic framework, which incorporates women in decision making, financial services, education, and domestic violence as key issues.

Some results have been registered world-wide. A girls' education project in Guatemala led to a 10 per cent increase over three years (1993-96) in the number of girls retained through the upper grades in 36 pilot schools. Educational reform efforts in Malawi over a five year period (1990-95) led to a 71 per cent increase in girls' enrolment and repetition rates decreased by 23 per cent, with a 27 per cent increase of girls graduating to secondary school. In Nepal support to nonformal literacy education for women in mathematics, writing and reading skills produced significant results – from 1991 to 1995 female literacy increased from the 22 per cent base line to 28 per cent. In Mali, the overall number of children entering primary school has increased by 83 per cent since an expanded pilot programme began in 1992, and overall girls' enrolments increased by 67 per cent. USAID has supported microenterprise and microcredit development, for income and employment generation among the very poor. More than 60 per cent of the participants and beneficiaries of the programmes of Global Bureau's Office of Microenterprise Development world-wide are women. From 1993 to 1996 the Women in Politics Program has helped to increase the number of women elected to representative bodies. For instance, in the 1996 elections in Mongolia, nine women participants ran for parliament and seven won seats. In Chaing Mai, Thailand, an NGO supported by the Women in Politics Program trained 99 women to participate in local council elections and forty won seats. The South African Department of Land Affairs has changed the national system of land distribution from being based on the household to accounting for the individual, thereby ensuring gender equality in landownership and tenure.

Within the international development co-operation community, USAID continues to be one of the lead agencies in the area of gender and women in development issues. As the field evolves to reflect and integrate lessons learned in the effective promotion of gender equity in development, it will be important for USAID to continue to provide substantive policy leadership and reinforce positive past accomplishments.

SELECTED PRIORITY CONCERNS

HUMANITARIAN AND EMERGENCY AID

The US has a long tradition of providing assistance in both man-made and natural disasters. USAID's Office of Foreign Disaster Assistance (OFDA) co-ordinates and manages the bulk of humanitarian assistance, although the Department of State manages humanitarian assistance programmes for refugees. OFDA is part of the Bureau for Humanitarian Response (BHR) which includes the Office of Food for Peace, the Office of Transition Initiatives, the Office of Private and Voluntary Co-operation (NGO programme) and the Office of American Schools and Hospitals Abroad. OFDA provides humanitarian assistance in response to a declaration of a foreign disaster made by the US Ambassador or the US Department of State. In FY 1996 OFDA obligated almost $135 million to respond to some 65 international disasters, to continue funding of relief activities begun in prior fiscal years or to replace commodities drawn from OFDA stockpiles. As the lead US Government Agency in co-ordinating international disaster responses, OFDA works extensively with the Department of Defense (DOD) organisations in planning the delivery of humanitarian assistance in natural disasters and complex emergencies. OFDA participates directly with DOD in joint contingency planning, development of operating doctrine for US forces in complex emergencies, planning and execution of military humanitarian training exercises and planning of various regional mitigation and preparedness strategies implemented with US military resources. OFDA also has access to DOD logistics and airlift resources. In 1997, the Office of Food for Peace provided 1.66 million tons of food aid, assisting an estimated 43 million people in 53 countries.

Disasters have increased in number and intensity in some recent years. Prolonged complex emergencies, often involving political and military conflict, contributed to this trend (*e.g.* Africa's Great Lakes region, Angola, Bosnia, Liberia, Somalia, and Sudan). USAID has worked to place increased emphasis on preparedness and mitigation, based on lessons learned in the past. The principles guiding USAID's humanitarian assistance are: emergency response to save lives and reduce suffering and assist in the return to sustainable development by supporting local capabilities, providing safety nets and strengthening local human capacity. For instance USAID may provide seeds for agriculture along with relief food to disaster victims in farming areas, to help agricultural producers to return to self-sufficiency as quickly as possible. Medical emergency programmes use local medical staff and encourage training. Prevention and mitigation of the effects of disasters are built into response programmes. Prevention requires strengthening local response capabilities and preparedness entails examination of relief and recovery planning. USAID field missions help local government in this work. Timely, effective assistance to countries emerging from crises can facilitate transition to sustainable development. USAID co-operates extensively with PVOs/NGOs in humanitarian assistance work.

TRANSITION INITIATIVES AND CONFLICT, PEACE, AND DEVELOPMENT CO-OPERATION

USAID's Transition Initiatives responds to the needs falling between relief and development. It provides mechanisms to assess and address political and economic needs in the recovery stage. These may include demobilisation and reintegration of soldiers, electoral preparations, strengthening governance systems, and civil infrastructure. In Haiti, for instance, the transition programme has helped to demobilise military personnel, provide skills development, and to strengthen civil governance structures. Demobilisation and land mine awareness and removal are elements of the transition programme in Angola.

Assisting the transition from relief to development is an integral part of the Agency Strategic Plan. The Office of Transition Initiatives in the Bureau for Humanitarian Response is an experiment in provid-

ing quick response to transition situations and providing a co-ordination point within USAID for this type of work. USAID increasingly supports a range of activities in conflict prevention and peace-building in addition to its other activities aimed at strengthening the capacity of developing countries to make the transition from war to peace. Conflict prevention and peacebuilding activities include: monitoring and preparedness measures; peace/human rights promotion; regional initiatives to improve food security in sustainable development programmes; and long-term development projects aimed at addressing the root causes of potential conflict.

Examples of recent activities in these areas include several interventions under the Greater Horn of Africa Initiative, undertaken jointly with the State Department, to help prevent future crises; resource management and early warning mechanisms (see Box 3 on FEWS) to avert famine and large movements of refugees which may precipitate wider conflict; and support for scientific co-operation and peacebuilding projects in the Middle East. USAID has recognised that these efforts need to be strengthened and further emphasis must be placed on helping to prevent violent conflicts over the long term. Work is being undertaken to better understand the causes of conflict and conflict cycles, including how aid can better help steer countries clear of the most devastating and costly complex emergencies.

Activities in support of conflict management and post-conflict reconstruction include restoring security and justice systems, demobilising combatant forces, defusing landmines, and establishing local governance institutions that promote reconciliation and building stronger civil societies. To bolster

Box 3. **Famine Early Warning System (FEWS)**

The Famine Early Warning System (FEWS) is an information system designed to help decision makers take action to prevent famine in Sub-Saharan Africa. FEWS monitors areas of high-risk countries where populations are particularly vulnerable to episodic food shortages that could lead to famine. Early warnings provided by FEWS enable decision makers to assess famine threats and plan required assistance well in advance.

FEWS specialists in the US and Africa assess remotely sensed data and ground-based meteorological, crop and rangeland conditions for early indications of potential famine areas. Other factors affecting local food availability and access are also carefully evaluated to identify vulnerable population groups requiring assistance. These assessments are continuously updated and disseminated to provide decision makers with the most timely and accurate information available. This is done by a monthly bulletin on the evolving Africa-wide picture and by special vulnerability assessments which provide in-depth information on local situations and their underlying causes. In addition, FEWS team members provide regular and *ad hoc* updates and briefings to provide African decision makers, USAID and other groups with the latest information on potential drought conditions and famine threats. FEWS, thus, helps to save lives and assure efficient use of funds allocated to famine prevention. It also provides information that is useful to food security, agricultural and poverty alleviation programmes.

Recent applications of FEWS include helping decisions makers to understand the implications of *El Nino* for food security in Southern Africa, estimating the impact of the recent tragic flooding in Somalia on the medium-term food security situation in the affected regions, and helping to organise and to guide a multi-donor/NGO process for assessing food insecurity in Ethiopia.

FEWS costs about $5 million a year to operate. This is around 5 per cent of the average amount the US Government alone spends on famine prevention, mitigation and relief each year in Africa. By enhancing the ability of the US Government and others to anticipate, to target more precisely and to assure timely arrival of humanitarian aid, this project more than pays for itself in terms of budgetary savings alone. If account is taken of the economic benefits of reducing the negative impact that can occur from the poorly-planned provision of food aid, the benefits in development terms are also impressive.

FEWS is managed by Associates in Rural Development, Inc. (ARD) in association with the International Science and Technology Institute, Inc. (ISTI) and the Office of Arid Land Studies, University of Arizona. FEWS works in co-operation with the US Geological Survey (USGS), the National Aeronautics and Space Administration (NASA) and National Oceanographic and Atmospheric Administration (NOAA).

the momentum for peace in countries like Bosnia-Herzegovina, several economic revitalisation activities are linked to peacebuilding and reconciliation efforts. USAID recognises the need to rehabilitate war victims and help them integrate into productive roles in society. USAID sees the demobilisation and reintegration of ex-combatants into civilian society as a pivotal aspect of transition processes. USAID supported such programmes in El Salvador, Ethiopia, Mozambique, Nicaragua, Sierra Leone and Uganda. In Haiti, a major initiative demobilised and trained the army in vocational skills, promoted community initiatives, and restored social services. Activities are tied closely to support for democratic transition in post-conflict countries, including support for peace negotiations, civil awareness and rebuilding civil society.

US experience and support contributed to preparing the DAC Guidelines on Conflict, Peace and Development Co-operation approved at the DAC High Level Meeting in May 1997, and which were a point of reference for the G7/G8 Summit in Denver in June 1997. In order to improve the donor community's understanding of complex emergencies, and improve future responses in addressing complex emergency situations, USAID has also been an important partner in the Multi-donor group examining lessons from the Rwanda crisis.

HUMANITARIAN DEMINING

USAID has been involved in demining since the early 1980s. In 1993 the President initiated the US Government Humanitarian Demining programme aimed at reducing civilian landmine casualties through support to mine clearance (demining) operations, mine awareness and development of demining technology. The programme aims to establish sustainable, indigenous, humanitarian demining capabilities in mine-infested countries. In October 1997 the US Secretary of State and Secretary of Defense unveiled the 2010 Initiative aimed at eradicating landmines by year 2010. Between 1993 and 1997 the US provided more than $153 million in humanitarian demining programmes. In FY 1998 between State Department, Department of Defense and USAID about $80 million will be devoted to this purpose.

FOOD FOR PEACE

The Office of Food for Peace in BHR administers the foreign food aid programmes under US PL 480, enacted in 1954 as the Agriculture Trade Development and Assistance Act, later called Food for Peace. PL 480 Title II is for emergency food aid and development programmes targeting vulnerable populations suffering from food insecurity as a result of natural disasters, civil conflict or other crises, while Title III covers government-to-government grants to the poorest countries.

Title I (concessional sales of food aid), administered by the Department of Agriculture, has two aims: *a)* to promote exports of agricultural commodities from the US; and *b)* to foster broad-based, sustainable development in recipient countries. The programme provides export financing over payment periods up to thirty years, low interest rates, and maximum grace periods on payments of principal of up to five years. It is used to support countries that have made commitments to introduce or expand free enterprise elements in their agricultural economies such as for commodity pricing, marketing, input availability, distribution and private sector involvement. Allocations of $234 million have been announced for PL 480 Title I for FY 1998.

Food aid has declined greatly in recent years both in absolute terms and as a percentage of US ODA. In the early 1990s it represented about 10 per cent of total ODA and about $1 billion annually. By 1996 it had dropped to under 5 per cent of total ODA and slightly over $400 million. Most PL 480 Title II, which represents the largest portion of food aid qualifying for ODA, is managed by PVOs/NGOs and international and local non-governmental organisations (*e.g.* International Committee for the Red Cross, UNICEF, WFP). Most food aid is used in crisis situations for vulnerable groups, or in feeding programmes in schools and health centres, and in food-for-work programmes. Over the years, both USAID and the US Agriculture Department have developed elaborate procedures on the use of food aid aimed at ensuring that it does not unduly disturb markets or act as a disincentive to local production.

Development food assistance, as opposed to ''emergency assistance'', is being increasingly monetised (sold) with proceeds being used to enhance food security. US Government procedures are aimed at ensuring that the food aid does not disrupt domestic production or create market disincentives particularly when the commodity is sold. Direct feeding programmes also seek to enhance longer-term food security through educational efforts. This focus on food security relates to under-

takings made at the World Food Conference in Rome in 1997.

HEALTH AND POPULATION

The US has long been a leading donor in health, voluntary family planning and population activities. For population programmes alone USAID has provided over $5 billion over the past three decades. USAID has a large pool of in-house expertise in health and population. Child survival has been a particular concern of the US with strong support from the US Congress which annually earmarks large sums for this purpose ($650 million in FY 98). USAID data shows that its child survival programmes have prevented the deaths of an estimated 4 million infants and children annually by targeting the principal causes of death: vaccine-preventable disease, diarrhoea, malnutrition, acute respiratory infections, and malaria. The Expanded Program for Immunisation helped to double global vaccination rates in the 1980s and polio immunisation coverage almost doubled over the 1985-95 decade. A USAID-financed grant helped 27 African countries to adopt a new malaria control strategy. Malaria is one of the major causes of death among children in the region.

Maternal mortality remains high throughout the developing world. Consequently, over thirty bilateral USAID programmes have maternal health objectives. USAID has also initiated programmes to address the health and human rights aspects of female circumcision in Egypt, Eritrea, Guinea, Kenya, Senegal and Mali. World-wide, USAID programmes aimed at sustainable reduction of unintended pregnancies target the more than 150 million women who have expressed an unmet need for family planning. USAID has emphasized sustainability in these programmes, through the use of service fees and training. Education for improving prevention of sexually transmitted infections is one of the most effective strategies for limiting the spread of HIV/AIDS. USAID has incorporated Sexually transmitted infection (STI)/HIV prevention and control into family planning and maternal and child health programmes. It has financed development of low-cost, rapid diagnostic tools for STIs appropriate for countries with limited resources. USAID-financed HIV/AIDS prevention programmes exist in 32 countries, reaching 3.2 million people, and have trained almost 60 000 health workers to implement programmes in their own countries. An important element is to encourage and help developing countries to budget more funds to fight HIV/AIDS.

ENVIRONMENT

USAID's environmental strategy aims at protecting the world's environment for long-term sustainability. The five objectives under this goal are:

- the threat of global climate change reduced;
- biological diversity conserved;
- sustainable urbanisation including pollution management promoted;
- use of environmentally sound energy services increased;
- sustainable management of natural resources increased.

The Strategic Plan sets out specific performance goals and indicators under these objectives. The Case Study of the United States, Environmental Considerations in Development Co-operation (OECD/DAC September 1996) concluded that US commitment to sustainable management of the environment, as an integral part of development assistance, had been strengthened over the past five years and was clearly integrated in the agency management framework (the predecessor of the Strategic Plan). See Annex 1 – for the conclusions of that study. That study also describes the environmental impact procedures of USAID, which are elaborate, and a number of initiatives taken in the environmental area such as:

- the Initiative for Environmental Technology to enable the US private sector to increase its role in addressing developing country environmental priorities;
- the US-Asia Environmental partnership started in 1992 with core funding of $100 million to sustain development and protect the environment in Asia and the Pacific;
- US participation in the Global Environmental Facility (leadership for US participation rests with the Treasury Department in collaboration with State Department, USAID, Environmental Protection Agency, and the National Oceanic and Atmospheric Association); and
- Parks in Peril, a project begun in 1990 to help Latin American governments and private organisations to develop fully functioning, sustainable protected areas in their respective countries.

USAID is the lead agency overseeing implementation of the Climate Change Initiative. Under the Initiative, the US will provide $1 billion over the next five years to promote sustainable development that minimises greenhouse gas emissions and

reduces vulnerability to climate change: $750 million in grant assistance and $250 million in "climate-friendly" investment through credit instruments. USAID is focusing on nine key countries and three key regions selected because of their contribution or anticipated contribution to net greenhouse gas emissions and their receptivity to taking action. The Initiative emphasizes three components:

- decreasing the rate of growth of net greenhouse gas emissions through, *e.g.* promoting energy efficiency and renewable energy, and in the land use realm, decreasing soil erosion and protecting forests.
- increasing developing country participation in the Framework Convention on Climate Change through, *e.g.* assisting with developing national emissions inventories and action plans.
- decreasing vulnerability to the threats posed by climate change, such as floods and droughts, in developing countries through, *e.g.* improved preparedness for natural disasters and better water resources management.

AID EFFECTIVENESS, RESULTS-ORIENTED AID AND EVALUATION

AID EFFECTIVENESS

USAID places great emphasis on efforts to assess its aid effectiveness, measure and evaluate programme performance and use this information to "manage for results". Lessons learned and judgements regarding the effectiveness of various aid approaches are brought together by USAID's Center for Development Information and Evaluation (CDIE) as it implements broad programmatic evaluations that assist in collecting and analysing Agency experience. CDIE evaluations are designed to inform decision makers, particularly senior managers, as they make judgements on the effectiveness of various aid approaches. Evaluation findings serve as the analytical underpinnings for Agency policy statements. Syntheses and highlights of evaluation summaries are disseminated widely to USAID policy makers, senior managers, and development partners, and can be accessed by the general public (www.gopher.info.gov). Paper copies of CDIE products can be obtained through USAID's Development Evaluation Clearing House [tel. (703) 351 4006 – Fax. (703) 351 4039].

From 1996 through 1997, USAID focused its central evaluations on several key themes – democratic and local governance, countries in transition, private sector reactivation (capital markets, venture capital, enterprise funds), developmental and emergency food aid, and improving girls' education. USAID shares its methodologies and results with the development community through its participation in the DAC Evaluation Working Group and specific conferences. It also sponsors major international conferences such as the one on Peace, Reconciliation and Human Rights (October 1997) to discuss evaluation findings and studies with a broad array of representatives from the international community.

CDIE's service-oriented systems are highly regarded and provide great benefit to programme and activity managers. CDIE provides research, statistical analysis, clearinghouse and reference services and responds to over 40 000 requests received each year from USAID staff, partners and members of the development community. These services access a variety of sources to prepare their responses including the USAID Development Experience System (DEXS), maintained by CDIE, which covers over 90 000 Agency documents, impact evaluations, sectoral studies and reports for more than 9 000 USAID development activities funded since 1976, along with other donor, USG Agency, US university, private sector and institutional resources.

This extensive corpus of information covers virtually every sector including evaluation methodology, strategic planning and performance measurement. CDIE publishes a large quantity and variety of products ranging from evaluations and special studies to a series on performance measurement – "TIPS" – to provide hands-on operational guidance to Agency managers and field personnel. CDIE makes extensive use of telecommunications, CD-ROM and web-based, Intranet and Internet technologies to share access to USAID's development experience, library and statistical data resources; disseminate its evaluation and performance measurement publications and newsletters; and, to market, promote and solicit feedback from its user community.

RESULTS-ORIENTED AID (MANAGING FOR RESULTS)

In February 1995, USAID Agency completed a Business Area Analysis that led to a redesign of USAID's programme operations system. The system builds on USAID's country programming, which has long been a strong element in USAID's programming system. In October 1995, USAID put in place new guidance for strategic planning, achieving results, and performance monitoring. Implicit in the system is an ongoing planning-implementation-monitoring cycle for managing for results and learning from experiences. USAID's 1995 Agency Strategic Framework initially guided the setting of programme strat-

egies, until publication of the Strategic Plan (September 1997) discussed above.

USAID country-level programmes, as well as regionally and centrally-funded programmes, develop with their partners their own operating unit strategic plans with a time frame of from five to eight years. By the end of 1996, all Agency field-operating units had strategic plans in place. The strategic plans are developed through a collaborative process with customer input and include one or more strategic objectives. Strategic objectives are defined as the most ambitious result in a particular programme area that an operating unit can materially affect and for which it is willing to be held accountable. Each strategic plan includes a results framework which presents the strategic objective and other necessary outcomes (termed intermediate results) for achieving the objective, linked in a cause-and-effect relationship. Frameworks depict USAID-funded assistance as well as involvement of other development partners whose programmes are relevant to the accomplishment of the objective. The framework serves as a management, reporting, and learning tool as the operating unit implements the programme. Operating units implement each strategic objective through teams of USAID staff, representatives from key partners and stakeholders or even customers who are important to the achievement of the objective.

USAID performance measurement systems assess progress through the use of performance indicators for each programme result. For each performance indicator, baseline data is collected for the beginning of the planning period and targets are set for achieving results within explicit time frames. Each year USAID reviews the performance of all operating units, with Results Review and Resource Request (R4) documents submitted by the various operating units serving as the basis of these reviews, and factors this performance into resource allocation decisions. The Agency's new integrated information system – the New Management Systems or NMS – includes a module for Results Tracking. This module is designed to enable operating units to automate their results frameworks and track their progress through the collection of performance data. The NMS is currently not fully functional world-wide. However, USAID believes that once perfected, it should eventually lead to the Agency-wide availability of results and performance data and enhance USAID's ability to analyse and report on its performance.

UNITED STATES GOVERNMENT CO-ORDINATION AND POLICY COHERENCE

CO-ORDINATION AND POLICY COHERENCE IN THE FIELD AND IN HEADQUARTERS

There are two domains of co-ordination and coherence of American development co-operation: *a)* in the field; and *b)* in headquarters in Washington, DC. The most powerful and clear-cut co-ordination system is in the field where the US Ambassador, as the President's representative in-country, has full authority and responsibility to co-ordinate the activities of all US agencies and departments (with the exception, not relevant for this discussion, of some military elements). Some 30 different departments and agencies are represented in various missions abroad. Where there is a USAID programme and field presence, USAID invariably plays an active role on the Country Team. The Ambassador's authority for co-ordinating US efforts in a given country does not, at the same time, necessarily assure coherence among policies themselves since the broad policies are set in Washington.

In headquarters in Washington, DC, the question of co-ordination and policy coherence from an organisational standpoint is more complex. Prior to 1992 the US Government had a formal mechanism aimed at co-ordinating and assuring policy coherence in foreign assistance in the inter-agency Development Coordination Committee (DCC). It was created by Congress in 1973 and formally reconstituted in the reorganisation plan of 1979 that set up the present organisational structure. The DCC has not met for six years, was never found particularly effective and is effectively defunct.

The President's Commission on the Management of AID Programs (the "Ferris Commission" – December 1992) cited the lack of policy coherence and co-ordination of foreign aid programmes as a problem and warned of the danger of losing control of the priorities and roles of various agencies and the allocation of funds. This question was revisited the following year by the Wharton Report,[6] which concluded that existing co-ordinating mechanisms were sufficient, but recommended that current practices be sharpened. That seems to be what has happened in the ensuing years. However, a more recent independent commission report[7] once again reached a more critical conclusion: "Co-ordination among the many government entities involved in international affairs is lacking. The Administration should correct this problem by implementing an effective co-ordination process".

With these different judgements in the background, it is useful in this report to adopt a comparative perspective on how US foreign assistance is co-ordinated and policy coherence attempted in practice. The current approach is to entrust these tasks to different inter-agency committees, teams, groups or *ad hoc* task forces, depending on the issue. Some of the main co-ordinating mechanisms where USAID – representing the field of development co-operation has a seat at the table, are as follows.

POLICY COHERENCE AND CO-ORDINATION MECHANISMS

- **Strategic Planning**. The most important element introduced since the Wharton Report in 1993 to improve co-ordination and coherence is the strategic planning process. As noted earlier, the Government Performance and Results Act of 1993 requires strategic plans from all departments and agencies. This process calls for co-ordination and harmonization between departments and agencies. For instance, USAID and the State Department have co-ordinated their respective Strategic Plans. Thus, the strategic planning process can serve to improve co-ordination and policy coherence at that level across departments and agencies working in similar fields.
- **Budget co-ordination**. The annual budget process is led by the Office of Management and Budget, which is responsible for preparing the President's overall budget request to Congress. The Secretary

of State as leader for International Affairs (Function 150) co-ordinates the preparation of that portion of the budget with all departments and agencies involved.

- **Multilateral Affairs co-ordination**. The Working Group on Multilateral Affairs (WGMA) under Treasury Department chairmanship considers issues related to projects pending before the multilateral development banks.
- **Debt co-ordination**. Inter-agency Team on Multilateral Debt Issues. This group deals with all debt issues including Paris Club matters and the heavily indebted poor countries initiative (HIPC), debt buy-back and swap issues. This Team is headed by Treasury Department.
- **Trade co-ordination**. The Trade Promotion Co-ordinating Committee is an inter-agency committee chaired by the Commerce Department. The pillar of this Committee's work is the National Export Strategy which works to improve co-ordination and stimulate long-term approaches to barriers impeding US exports. USAID has taken the position that its contribution to US trade promotion is indirect – to support the establishment of favourable policy, institutional and legal framework for trade and investment in developing countries. Beyond some statutory requirements (*e.g.* in food aid and its transport) and general procurement tying, the policy governing USAID activities is that bilateral funds are not used to finance direct export promotion activities.
- **Humanitarian and Disaster Relief**. The major providers of United States Government humanitarian and disaster assistance are USAID, State Department (Bureau for Population, Refugees and Migration), and Department of Defense (for specified components of Peace Keeping/Humanitarian Assistance) which work in close co-ordination. Other agencies such as the Centres for Disease Control and Prevention (Atlanta) of the US Department of Health and Human Services, US Geological Survey of the Interior Department, US Forest Service of the Agriculture Department, and the Environmental Protection Agency may be involved. Often task forces are formed for particular purposes involving these and other elements of the government.
- **Complex Contingency Operations**. To facilitate the US Government's organisation of interagency planning and action in complex contingency operations, a Presidential Decision Directive – No. 56 was issued in May 1997. This Directive relates to natural or man-made disasters which precipitate massive human suffering and specifies how the responsibilities and organisation for such complex operations are to be managed. Highly sensitive, politically important operations gravitate quickly to the highest level and come under the purview of this Directive. Basically it involves the formation of an Executive Committee under the National Security Council (NSC) with the appropriate membership to supervise the management of US participation and inter-agency co-ordination, including the assignment of lead-agency responsibilities. Examples of this type of operation are: Haiti, Somalia, Bosnia, northern Iraq, and central Africa (Rwanda-Burundi), and former Zaire. This Directive also suggests that US action in such operations should be conducted in co-operation or coalition with other donors whenever possible.
- **Other key elements in the US co-ordination system**. There are three other key elements in the US co-ordination system with which USAID relates:
  1. National Security Council (NSC) created in 1947 and chaired by the President. Its function is to advise the President with respect to the integration of domestic, foreign and military policies relating to national security. The NSC plays the central role in the kinds of complex contingency operations described above.
  2. National Economic Council (NEC). NEC was created in 1993 to co-ordinate economic policy and provide policy advice to the President. It ensures that economic policy decisions and programmes are consistent with the President's stated goals and monitors the implementation of those goals. The international economics staff of the NEC functions as the economics staff of the NSC. Matters that are not settled at lower levels are sometimes referred to the NEC or the NSC for resolution. NEC also plays a role in preparing US participation in economic summits.
  3. The Office of the United States Trade Representative (USTR) created in 1963, is charged with responsibility for setting and administering overall trade policy.

POLICY COHERENCE OBJECTIVES

The objective of "policy coherence" is to integrate the development perspective into a consistent framework, in which major institutional and policy aspects that affect sustainable economic develop-

ment, directly or indirectly, are given their full weight. Such a policy framework should encourage institutional change and adaptation, as well as create an enabling environment to pave the way for fuller participation of developing countries and transition economies in the growing international markets for goods, services and investments.

In line with the recognition of the imperative for improved coherence in the new Partnerships Strategy, endorsed by the DAC at the High Level Meeting, as well as OECD Ministerial Council, DAC peer reviews are focusing increasingly on coherence questions. The current review gives special attention to the coherence of trade policies affecting developing countries, as will forthcoming reviews of other DAC Members. The trade emphasis here reflects the great importance of the United States in the international trading system, and America's role as an advocate of market-based approaches to economic development. These factors would justify the expectation of vigorous American leadership in forms of economic co-operation for development going beyond aid, where the American effort relative to GNP is very low by DAC standards. Impressive US economic performance is linked to a trade policy approach that recognises the need for dynamic adjustment in both export and import sectors. This has been to the evident benefit of Americans, workers and consumers, as well as the international economy. The following discussion focuses on trade areas of special importance to developing countries which, as a rule, do not yet participate fully in the rapid expansion of international trade.

Topics considered below include: trade in textiles and agricultural products; the US General System of Preferences; investment flows and policies; officially-supported export programme and programmes to help with trade capacity-building in developing countries. As in other donor countries, the US Government's approach to the liberalisation of aid procurement is one of the most direct and tangible tests of its commitment to promoting policy coherence for development (see Chapter 8).

US TRADE WITH DEVELOPING COUNTRIES

US trade with developing countries shows two major trends:

- The rapid growth of two-way trade with developing countries continues. Between 1985 and 1995 US exports to non-OECD markets grew much faster than exports to developed, OECD markets – a 217 per cent increase versus 147 per cent. US imports from developing countries also grew rapidly since 1985, with an average annual growth rate of almost 10 per cent, versus 8 per cent for OECD markets.
- US two-way trade with developing countries consists increasingly of manufactured products. This shift from primary products to manufactured goods – mostly capital and consumer goods – was more apparent in US import from the developing region, where the annual growth rate for the decade was 14 per cent, compared to 7 per cent for OECD Member countries.

Since 1985, exports to non-OECD markets increased from 25 per cent of total US exports to 29 per cent. The share of US exports to these emerging markets has shifted increasingly towards manufactured products, particularly capital goods. In 1995, capital goods accounted for 58 per cent of all US exports to developing countries, up from 50 per cent in 1985. Imports to the US have also increased significantly since 1985. Total imports more than doubled, from $358 billion to $770 billion. As with exports, US imports of manufactured goods increased from 71 per cent to 81 per cent of total imports, while primary products fell to 15 per cent in 1995.

The economic turn-around in Latin America and the Caribbean has fostered rapid growth of two-way trade since the mid-1980s. US exports to the region more than tripled, from $31 billion in 1985 to $95 billion in 1995, while US imports more than doubled, rising from $46 billion to $103 billion. US exports to Latin America and the Caribbean rose by only 3 per cent in 1995. This is due entirely to a decline in exports to Mexico, caused by the economic crisis that unfolded in January 1995. Particularly dynamic markets were Argentina, Chile, Paraguay, Uruguay, Costa Rica, Guatemala, Honduras and the Dominican Republic.

Asia has continued to be a highly dynamic market for US exports, which rose to $84 billion in 1995, compared to $21 billion in 1985. Among major Asian markets, countries with rapid growth rates for US exports in 1995 were the Philippines, Thailand, Malaysia, China, and Hong Kong. Since 1990, exports to, and imports from, the leading Asian economies have nearly doubled. Since 1985, US imports from China have ballooned from less than $4 billion to more than $48 billion.

US exports to the Near East grew by a modest 5.4 per cent from 1994 to 1995, to $22.1 billion, after

stagnating for the three preceding years. Increases in exports to Israel to $4.8 billion and Kuwait to $1.4 billion were offset by sharp declines in exports to Algeria, Bahrain, and Tunisia and stagnation elsewhere. Iraq was the sixth largest US trading partner in the Near East in 1985; however, trade sanctions have caused trade with Iraq to virtually end. US imports from the region increased only marginally to $18.9 billion in 1995.

US trade with Sub-Saharan Africa is small compared with Asia and Latin America, and in 1995 accounted for only 1 per cent of total US exports to the non-OECD markets and 1.7 per cent of US imports from non-OECD countries. US exports to Sub-Saharan Africa expanded in 1995, rising by 22 per cent to $5.4 billion, following several years of stagnation. Exports to South Africa, the largest market, led the way, rising by 27 per cent to $2.7 billion, providing over half of the regional increase from 1994. Exports to Nigeria, the second-largest buyer, also recovered somewhat from the depressed level of the previous year. US imports from the region rose by 7.4 per cent in 1995, to $13.4 billion. Oil and petroleum products account for nearly 70 per cent of the value of all US imports from Africa. Manufactured goods constitute about 20 per cent of US imports from Africa, while representing the bulk of US exports to the region. See Tables 9, 10 and 11.

Trade in textile and clothing

The US clothing market is the world's largest, accounting for well over 25 per cent of world imports. Import penetration of the US clothing market rose to 60 per cent in 1996, according to some estimates and much higher in certain product areas. Clothing production being a labour-intensive activity, further increases can be anticipated. The 1996 increase in US imports came almost entirely from the Caribbean Basin Initiative (CBI) countries and Mexico in 1997. The more rapid growth in Mexico's shipments is largely attributable to preferential duties under the North American Free Trade Agreement (NAFTA). Mexico is now the third largest, single-country source of US imports of textiles and apparel by value, behind China and Hong Kong. The CBI countries as a group, however, were the largest supplier, with 1995 shipments of $5.5 billion. Canada, Mexico and the CBI account for 44 per cent of the growth in imports. US imports of textiles and apparel increased 20 per cent in 1997. The US textile and apparel industries have reduced overall employment by some 200 000 jobs since 1994. Technological and trade changes in these types of industries have involved substantial and sometimes difficult adjustments.

Although China remained the largest foreign supplier of textiles and apparel, its share of US imports declined to 9.7 per cent in 1996 from 11.8 per cent in 1994. The decline in the quantity of imports from China partly reflected tight US import quotas. The traditional Big Three Asian suppliers of textiles and apparel – Hong Kong, Taiwan, and South Korea – continued to decline in relative importance, reflecting rising operating costs, labour shortages, and growing competition from lower cost countries, including South East Asian Nations (especially Indonesia and the Philippines) and from India and Pakistan, Bangladesh and Sri Lanka.[8] Since 1996, imports of textiles and clothing into the US bear average most favoured nation (MFN) duties of 11.4 per cent for textiles and 11.5 per cent for clothing.

At the request of the sponsors, the US International Trade Commission (ITC) recently made a limited assessment of the potential economic impact on the US of the proposed legislation granting quota-free and duty-free entry to textiles and apparel from Sub-Saharan Africa (SSA). The articles covered by the investigation were textiles and cotton apparel, other vegetable fibres, wool, man-made fibres, and silk blends. If both quotas and tariffs on US imports of apparel from SSA were eliminated, the gains to SSA exporters and US consumers would be significant. ITC projected that US imports of apparel from SSA would increase between 26.4 per cent and 45.9 per cent; and welfare gains to US consumers would be between $47 million and $96.4 million. Duty-free treatment for US imports of textiles from SSA would result in additional increases in imports of between 10.5 and 16.8 per cent. US domestic shipment of apparel would decrease by about 0.1 per cent with the removal of quotas and duties on US apparel imports from SSA and potentially 676 jobs would be lost. The estimated impact on the US textile industry and its workers would be negligible.[9]

The outlook is still uncertain for the proposed legislation to provide free access for textile and apparel imports from Sub-Saharan Africa. It should, however, be seen in the light of the overall outlook for developing countries' access to the US market, which is clearer under present rules. In January 1995, the World Trade Organisation's (WTO) Agreement on Textiles and Clothing (ATC) entered into force and

replaced the Multi Fibre Agreement, which had governed world trade in these goods since 1974. Under the ATC, textiles and apparel will be gradually "integrated" into the WTO regime over a 10-year transition period, in three stages, ending in January 2005. During this period, WTO members will eliminate quotas on imports.

Given the size of the US market, the US implementation of its ATC commitments is an important issue for many developing countries. A 1997 WTO trade policy review described it as "unfortunate that potential benefits for developing countries are much reduced by the fact that the relevant tariffs of some DAC Members, among them the US, remain high, well above the manufacturing average. The US integration of textile and clothing products over three phases, as required by the ACT, is "back-loaded" and in addition to import tariffs, the US, like others, maintains specific import quotas".[10] Together with concerns about complex rules of origin, these areas of policy affecting developing countries may offer scope for strengthened US contributions in this field.

Trade in agriculture

The US is the world's leading exporter of a number of farm products, and a major market for a number of agricultural exports of developing countries, especially fruit, vegetables, and tropical products, such as coffee, tea, cocoa, and palm oils. US exports of agricultural products, covered by WTO agreements, amounted to almost $60 billion in 1996, more than half of which went to developing countries. The developing countries are the main importers of the three largest US agricultural export products – 70 per cent of wheat exports, 62 per cent of grain exports, and 35 per cent of soybeans. China and Hong Kong, and the Association of South-East Asian Nations (ASEAN), each account for some 10 per cent of US exports Exports to Sub-Saharan Africa dropped 30 per cent over the last four years to $850 million in 1996.

Total US imports of agricultural products amounted to $51 billion in 1996, of which about one-half come from developing countries. The main exporters were Indonesia (especially rubber and forest products), Brazil (coffee and fruit juices), Colombia (coffee). Apart from these products, shrimp (from Thailand and Ecuador) is an important import commodity, as are bananas from Central America.[11]

In a favourable environment of rising world prices for agricultural products, the US began implementing the agricultural provisions of the WTO Agreements. The Federal Agricultural Improvement Act (FAIR) of 1996 was enacted, moving away from domestic price support to direct income support. Rising world market prices have also positively affected direct government payments, which declined from over 30 per cent of net farm income in 1993, to 14.6 per cent in 1995. Producer and consumer subsidy equivalents have also generally declined.

In the US, as in other WTO member countries, the move to "tarification" of previous quantitative restrictions, as called for in the WTO Agreements, often implies prohibitive duty levels. In-quota tariffs for MFN imports are, on average, some 10 per cent lower than the mean of some 50 per cent for out-of-quota imports but well above the simple average US tariff rate of 6.3 per cent. Tariff quotas have generally been under-utilised.[12] Given the problem of extreme rural poverty in LDCs, and the potential contribution increased agricultural exports could make towards its alleviation, measures are needed to reduce protection against LDCs' food exports. It would be especially appropriate to consider all further possibilities for expanding market access opportunities for LDCs, in light of the declining "Food for Peace" allocations and US efforts to promote broad-based agricultural development in LDCs with a view to poverty reduction.

RELEVANT TRADE REGIMES

The United States applies most favoured nation treatment to all but six countries: Afghanistan, Cuba, Laos, the Democratic Republic of Korea, Serbia and Montenegro, and Vietnam. It grants unilateral tariff preferences for developing countries under the Generalised System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA) and the Andean Trade Preference Act (ATPA).

GENERAL SYSTEM OF PREFERENCES[13]

Like other industrialised countries, the US applies a Generalised System of Preferences for developing countries' imports. This is a programme which grants duty-free treatment to specified products that are imported from more than 140 designated developing countries and territories. The programme has three broad goals: 1) to promote economic growth in developing countries through

increased trade; 2) to reinforce US trade policy objectives by encouraging beneficiaries to open their markets, to comply more fully with international trading rules, and to assume greater responsibility for the international trading system; 3) to help maintain US competitiveness, by lowering costs for US business and US consumers.

Currently, more than 4 400 products or product categories are eligible for duty-free entry from beneficiary countries under the American GSP. As with other industrialised countries' schemes, certain articles are excluded from receiving GSP treatment. In the US GSP, these include: textiles and apparel subject to textile agreements, footwear, handbags, luggage, flat goods (such as wallets, change purses and key and eyeglass cases), work gloves, and leather wearing apparel, canned tuna, petroleum and petroleum products, and watches and watch parts containing components from non-most-favoured-nation country sources. Some of these labour-intensive products, like textiles, clothing and footwear, played a key role in the early stages of the transformation of the Newly Industrialised Countries, and these products offer the same potential for many LDCs.[14]

Rules of origin determine whether products qualify for country-specific tariff preferences. The US applies the test of "substantial transformation". For the GSP, this rule requires an added value of at least 35 per cent of the cost of the material produced in the beneficiary country. The accumulation of preferences is extended to members of the Andean Group, ASEAN and Caribbean Basin Initiative (CBI). Existing authority permits extending preferences to any group that takes action to integrate trade regimes within a region. Developing countries which do not participate in such arrangements cannot benefit from this accumulation of preferences.

Country removal of GSP eligibility ("graduation") occurs when a beneficiary exceeds per capita GNP limits, or as a result of a beneficiary's advances in economic development and trade competitiveness. GSP conditions for access to the US market may also be withdrawn if a beneficiary country's export to the US of any such items reach more than $75 million in 1996 (and increases by $5 million annually) or represents more than 50 per cent total US imports of such items. Waiver authority to this rule is provided. In the US system, as in other granting countries' GSP programmes, ceilings and quotas can reduce benefits and increase the uncertainties with which exporters must contend, as well as with a number of other major conditions, such as protection of workers' rights. The US trade authorities assert that the use of ceilings spreads the benefits to the most needy countries, rather than allowing them to concentrate in the most competitive developing countries

With the enactment of the Uruguay Round Agreements Act in December 1994, the GSP programme, which had lapsed temporarily, was extended without modification until 31 July 1995. The programme expired again on 31 May 1997, but was extended retroactively to June 1998, by the Revenue Reconciliation Act.[15] While the Administration was unable to obtain multi-year reauthorization in 1996, it did receive authority to designate almost 1 800 additional products for GSP benefits providing they are imported only from the least-developed of the beneficiary developing countries (LDBC). This will provide exclusive benefits to this group of countries which, so far, and with a few exceptions, have not been major beneficiaries from the programme.

US imports of all merchandise from LDBC is less than 1 per cent of total US imports. Only about 15 per cent of LDBC shipments entered the US duty free. The remaining LDBC imports ($3.8 billion) were dutiable shipments consisting almost entirely of crude petroleum and related products ($2.4 billion), and textile and apparel ($1.3 billion). While the energy products are included among the articles under GSP for LDBC, textiles and apparel are statutorily excluded. As a result, the energy products account for almost all of the LDBC trade under the expansion of GSP coverage. The ITC concluded that the US imports of the articles under the GSP enhancement for LDBC are either nil or negligible for all but a few LDBCs and are concentrated in crude petroleum.[16]

Since, LDCs' exports are generally highly concentrated in primary commodities, there is a strong interest in utilising natural resource-based industrialisation strategies for their economic growth. To make value added processing more attractive for developing countries, DAC Members including the US could provide further impetus through reducing tariff escalation in GSP systems.

The Caribbean Basin Economic Recovery Act[17] of 1983 (CBERA), commonly known as the Caribbean Basin Initiative or CBI, allows the President to grant unilateral duty-free treatment on US imports of certain eligible articles from 24 beneficiary countries. Although a recent study by the OECD[18] concluded that the CBI has had limited success in diversifying

the composition of exports to the US to non-traditional products, it is still viewed by many observers as having been a positive mechanism overall.

The Andean Trade Preference Act[19] (ATPA), legalised in December 1991, aims to enhance opportunities for beneficiary countries to engage in trade in legitimate products, rather than in narcotics. In practical terms, the ATPA operates as an extension of the US GSP programme, augmenting those benefits to four additional countries. Bolivia and Colombia were designated as ATPA beneficiaries on 2 July 1992. Ecuador was added on 13 May 1993, followed by Peru on 12 August 1993.

US TRADE PREFERENCES BY AGREEMENT

Imports to the US are captured by 9 835 tariff lines; one-fifth cover agricultural products and the remaining four-fifths manufactured products. Less than half of the imported goods from developing countries are eligible for GSP preferences; for products originating from the 24 Caribbean countries preferential treatment is extended to 68 per cent of total possible products; for the ATPA beneficiaries 66 per cent of all products would be eligible for preferential treatment.

In 1994, total imports from the GSP beneficiaries to the US were almost $80 billion. Of that total value of GSP imports only $12.5 billion, or 27.4 per cent received actual preferential treatment. The remaining 72.6 per cent entered under the normal "most favoured nation" treatment. For the 24 CBI countries only 29 per cent of their total export value to the US received the preferences. For the four ATPA countries the percentage was 18.8 per cent. The actual value of the extended preferences is, therefore, considerably lower than the share of tariff lines covered by the preferential treatment would tend to suggest.

The *ad valorem* equivalent of the preferences of specific duties was, on average, 4.71 per cent for products eligible for GSP treatment and 3.75 per cent when taking account of the *ad valorem* part of non-*ad valorem* duties. The average for CBI is 2.16 per cent and 1.86 per cent respectively, and for the ATPA countries 2.34 per cent and 2.03 per cent. These small actual margins of preference further underline the importance of including higher-tariff items that are now excluded from the schemes (see Tables 8 and 12).

TRADE REMEDY PROVISIONS

The US anti-dumping law provides relief in the form of special additional duties that are intended to offset margins of dumping. Currently there are 97 anti-dumping orders in effect on products from 17 developing countries. China, with anti-dumping orders on 33 products, Taiwan with 17, and Brazil with 15 are the most-affected developing countries.

The US laws also provide for levying countervailing duties to offset foreign subsidies on import products. In general, the provisions are similar to those under the anti-dumping law. As of December 1996, 22 countervailing duties were in effect against products from 11 developing countries.[20]

AUTHORITY FOR TRADE POLICY

In general, the United States Trade Representative (USTR) has leading responsibility for all trade measures which involve conditional access to the US market. Trade policy is formulated at cabinet level in the Trade Policy Committee (TPC), chaired by USTR. The USTR also chairs the Trade Policy Review Group (TPRG), a subsidiary group of the TPC which includes the Secretaries of Agriculture, Commerce, Labour, State and Treasury and, upon invitation, representatives from other relevant agencies, such as the Agency for International Development.[21]

USAID is involved in the formulation and conduct of US Government trade policy through its participation in the USTR-led working groups and its representation on the Trade Promotion Coordinating Committee (TPCC). At the USTR, USAID is involved with the trade policy staff committees that include: the Generalised System of Preferences, the World Trade Organisation, NAFTA, trade with Africa, regional trading blocks, intellectual property rights, and multilateral investment. At the TPCC, USAID is represented by the Administrator at the senior level meetings which provide the direction and oversight for the national export strategy.

Given the importance of broad-based economic growth in developing countries, as a strategic goal for US development assistance and foreign policy, and the growing concern for effective policy coherence arrangements by all OECD Members in areas like trade, the DAC may wish to invite the United States authorities to make a full presentation on how these arrangements have been functioning at the time of the next Peer Review.

INVESTMENT

Foreign direct investment

The stock of US foreign direct investment abroad has more than tripled during the last ten years, from $230 billion in 1985 to $712 billion in 1995. Almost half of the investments are made in the manufacturing sector and 20 per cent in the service sector, *i.e.* banking, finance, and insurance. Though total stock increased rapidly during that period, the relative distribution of the share between OECD and non-OECD countries remained almost unchanged; approximately 3 to 1.

The share of Latin America in US FDI stock in non-OECD countries increased significantly over the period, from 43 per cent in 1985 to 60 per cent in 1995. At the end of 1995, Brazil held more US FDI stock than any other non-OECD country: *i.e.* $24 billion. Asia's share remained stable, at around 29 per cent. Of total US FDI stock in 1995, more than one-quarter was located in Hong Kong ($13.7 billion) and slightly less than one-quarter in Singapore ($12.5 billion). The share of North Africa and the Middle East halved during the period under consideration to 4.8 per cent. Almost three-quarters of US FDI is located in Saudi Arabia, Israel and Egypt – $3.3 billion, $1.5 billion and $1.4 billion respectively. In 1995, Sub-Saharan Africa's share was only 2.1 per cent.

The flow of US foreign direct investment increased during these ten years, from $17.7 billion to $93.4 billion. At the same time, the share of flows to non-OECD countries in total US FDI flows declined, from 31 per cent in 1986 to 19 per cent in 1995. In 1995, of total US FDI flows to non-OECD countries 56 per cent went to Latin America, one-third of which went to Brazil. Asia was the second most important destination for US FDI flows to non-OECD countries with $6.8 billion. Malaysia and Singapore accounted together for almost half of total flows to Asia. US FDI flows to China amounted to 6.4 per cent of total US FDI flows to Asia. Flows to Sub-Saharan Africa, North Africa and the Middle East were together less then 5 per cent of total flows to non-OECD countries. See Table 13.

Multilateral Agreement on Investment

As of January 1998, the United States had negotiated 41 bilateral investment treaties in force, of which all 35 were with developing countries and countries in transition. On the multilateral level, the US is participating in the negotiation of a "multilateral agreement on investment". The US is striving for an agreement that sets high standards for protection and treatment of investment that complements its efforts in support of sustainable development and respect for core labour standards. Key US objectives for the MAI will be:

- non-discrimination (the better of national or most-favoured nation treatment) for investors abroad and the application of these principles not only after an investment is established but also in its efforts to establish investments;
- discipline on performance requirements;
- freedom to make any investment-related transfer, *e.g.* profits, capital, royalties and fees, whether into or out of the country where the investment takes place;
- international law standards for expropriation and compensation consistent with US legal principles and practice; and
- access to international arbitration for disputes between Parties and also for individual investors when they suffer specific harm from alleged breaches of the agreement.

There are 29 countries and the European Commission participating in the negotiations. Although the MAI is being negotiated under the auspices of OECD, it will be open for accession by all countries willing and able to undertake its obligations. Given their advocacy of an integrated approach to helping developing countries advance through trade and investment, the US authorities may wish to consider how development co-operation could play roles in promoting developing countries eventually joining the MAI and/or using it as a model or benchmark against which to assess and improve their present investment regimes toward their shared objective of retaining and attracting private investment. As in other DAC Member countries, the development assistance community could play a greater role in promoting better understanding of proposals such as those in the MAI, as part of the overall response to the development financing challenge for developing countries. At the OECD Ministerial meeting in April 1998, Ministers decided that the MAI needed a period of assessment and further consultations.

OFFICIALLY-SUPPORTED EXPORT CREDITS

The Export-Import Bank of the United States, an independent government agency, facilitates US exports by providing short-, medium- and long-term loans and guarantees designed to protect

exporters against political and commercial risks. Its statutory mandate is to supplement and encourage, but not compete with, private sources of capital. According to the General Accounting Office Testimony (Export-Import Bank-Reauthorisation Issues) released in April 1997, the value of Eximbank's financing commitments and Programme costs for 1996 amounted to $12 billion. In 1997, the value of Eximbank's financing commitments and Programme costs amounted to $17 billion (including total costs of $772.6 million).

The Commodity Credit Corporation (CCC), under the responsibility of the Department of Agriculture, operates export credit guarantee programmes to assist US exporters of agricultural commodities. Congress authorised $5.5 billion funding in fiscal year 1998 for the CCC Export Credit Guarantee Programme. The Overseas Private Investment Corporation is a US Government agency which provides project financing, investment insurance and a variety of investor services in 135 developing nations and emerging economies.[22]

TRADE CAPACITY BUILDING

US economic growth programmes are intended to enhance the productive capacity – both physical and human – of the developing world. This is accomplished through both country-programme activities and centrally-funded programmes, which focus on reducing poverty through the promotion of broad-based economic growth, by strengthening global market linkages and the domestic market infrastructure. More specifically these programmes seek: *a)* improvements in efficiency and competitiveness of national and local economies; *b)* expanded access to economic opportunity for the poor; and *c)* increased integration of USAID-assisted countries into a rapidly globalizing economy.

In order to achieve these priorities USAID assists host nations in many ways such as: capacity building, institution building, developing policies that promote openness to trade and investment, supporting agriculture and rural enterprise, strengthening infrastructure and delivery of services in cities, providing adequate incentives for exports, reinforcing the effectiveness and transparency of fiscal and monetary policy and regulations, avoiding inefficient import substitution and unwarranted protection, and strengthening the enabling environment for development of the private sector. Particularly at the macroeconomic level, USAID co-ordinates closely with the reform programmes of the World Bank and the International Monetary Fund.[23] Once again, US leadership could be especially valuable in helping promote co-ordinated best practice among donors in their support for trade capacity development.

Part II

BASIC PROFILES

OFFICIAL DEVELOPMENT ASSISTANCE AND OTHER FINANCIAL ASPECTS

1. OFFICIAL DEVELOPMENT ASSISTANCE

A. ODA volume

The United States accounts for over one-third of the combined gross national product (GNP) of DAC Member countries and has the largest economy in the DAC. However, the contribution of the United States to the Development Assistance Committee (DAC)'s collective aid effort was only 16.9 per cent of total DAC ODA in 1996 (see Table 2). The United States has not committed itself to the UN target of devoting 0.7 per cent of national income to ODA, but is a party to the DAC's 1995 policy statement *Development Partnerships in the New Global Context* which reaffirmed DAC Members' commitment to "generating substantial resources for development co-operation to back the efforts of countries and people to help themselves".

Reported ODA disbursements from the United States in 1996 amounted to $9 377 million, an increase of one-quarter (in real terms) over the 1995 level of $7 367 million. The increase in ODA is in part due to the United States' 1995 contribution to Israel being deferred because of delays in approval of the federal budget. In 1996, the United States had the second largest ODA volume in absolute terms after Japan, $62 million. At the time of the last DAC review, in 1993, the United States also ranked sec-

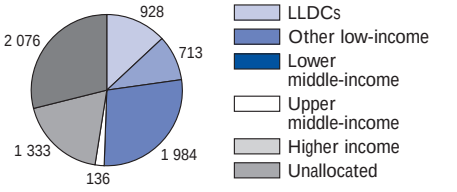
UNITED STATES

Gross bilateral ODA, 1995-96 average, unless otherwise shown

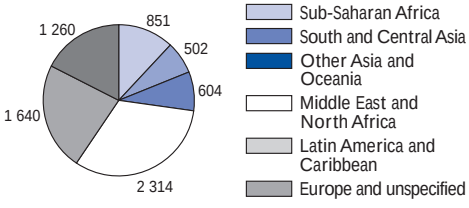
Net ODA	1995	1996	Change 1996/95
Current (US$ m)	7 367	9 377	27.3 %
Constant (1995 US$ m)	7 367	9 198	24.8 %
ODA/GNP	0.10 %	0.12 %	
Bilateral share	76 %	74 %	
Net Official Aid (OA)			
Current (US$ m)	1 280	1 694	32.3 %

Top ten recipients	(US$ m)
1 Israel	1 328
2 Egypt	706
3 Russia (OA)	325
4 Haiti	227
5 Ukraine (OA)	151
6 India	139
7 Iraq	121
8 Philippines	114
9 Bosnia and Herzegovina	101
10 Jordan	101

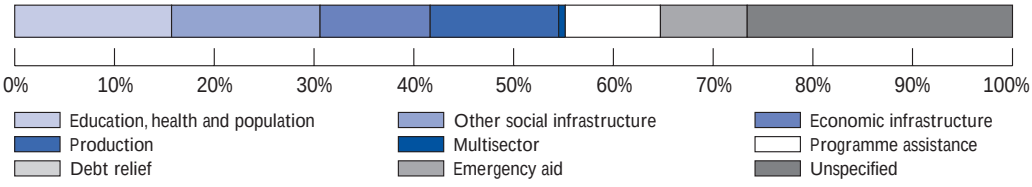
By income group (US$ m)



By region (US$ m)



By sector (94-95)



Source: OECD.

ond among DAC countries in volume terms, however in 1995 its ranking fell to fourth position, behind Japan, France and Germany.

The United States' ODA expressed as a share of GNP was 0.12 per cent in 1996, slightly less than half the DAC average (0.25 per cent) and the lowest GNP share among DAC Member countries for the fourth consecutive year.

While the upturn in ODA in 1996 is welcome, the overall trend in the United States' aid performance has been downward over the last decade, in both volume and as a share of GNP (see Figure 2). In real terms, the United States' ODA volume declined at an average annual rate of 4.1 per cent over the 1985-95 decade, and the American effort (measured by the accepted ODA/GNP ratio) by 1995 was only half what it had been a decade before.

B. Composition and sectoral distribution of ODA

Contributions to multilateral organisations accounted for approximately one-quarter of the United States' ODA programme, which is below the DAC average of around 30 per cent (see Table 3). Among UN agencies, contributions to the World Food Programme and the United Nations Development Programme (UNDP) have declined in real terms in recent years. Small contributions to the United Nations Fund for Population Activities (UNFPA) were made in 1993, 1994 and 1995. Funding for International Development Association (IDA) has remained strong, but was down as compared to the funding levels at the beginning of the decade. While annual contributions to regional development banks since 1990 have typically totalled more than $400 million (in 1995 constant prices), no contributions were recorded during the 1995 calendar year.

The broad composition of the United States' bilateral aid has been changing in recent years. Debt reorganisation predominated in 1990/91, emergency aid peaked in 1994 and technical co-operation was the largest component of bilateral expenditure in 1996. Food aid once played an important role in the United States' aid programme, but has decreased in recent years and again in 1996. Net loans continued to be negative – due to both repayments occurring and few new loans being extended – with grants continuing to predominate.

Table 4 shows the sectoral distribution of United States' bilateral ODA commitments. The trend over the last decade has been a shift away from commodity aid and general programme assistance to increased shares for social infrastructure and services – especially population programmes and actions in support of government and civil society – as well as support for economic infrastructure and services, such as in the areas of energy and business and other services. Activities in the sectors of education; health; agriculture, forestry and fishing; and trade and tourism have remained substantial. In 1990/91, nearly half of the United States' bilateral ODA consisted of actions relating to debt, reflecting the large amounts of forgiveness of non-ODA debt claims in those years.

C. Financial terms

In recent years, the bilateral ODA programme has consisted almost exclusively of grants. In 1996, the grant element of the United States' ODA commitments was 99.6 per cent.

D. Geographical distribution of ODA

Egypt and Israel remained the principal country recipients of ODA from the United States' over the last decade, receiving together approximately 50 per cent of allocable bilateral net disbursements (see Table 5). Israel will, however, no longer retain this position among ODA recipients, as by agreement in the DAC, 1996 was the last year that aid to that country could be recorded as ODA. In future, such assistance will be counted as "official aid" (see below). The considerable share of USAID's budget programmed to help create a stable political and economic environment leading to a comprehensive and lasting peace in the Middle East has several main elements:

- reduce regional tension created by water scarcity;
- policy reform;
- microenterprise finance;
- health, family planning and girls' education;
- reduce high unemployment;
- strengthen women's capacities; and
- governance and strengthening democracy through wider civil society participation in public decision making and strengthening legislative processes.

The programme in the West Bank and Gaza is focused on facilitating the transition to self-rule and assisting Palestinians to establish more responsive and accountable governance. There are also some regional activities for competitive grant programmes

for research collaboratively implemented by US, Israeli and Arab scientists.

Other major recipients of ODA from the United States in 1995/96 reflected responses to crises (*e.g.* Bosnia-Herzegovina, Haiti and emergency assistance to northern Iraq) or strong support following changed circumstances in the recipient country (*e.g.* Armenia, Georgia and South Africa). The United States also provided substantial assistance on a per capita basis to Palau, a Micronesian archipelago with some 16 000 people and which was a United States Trust Territory from 1946 until its independence in 1994. In total, 120 countries received development assistance from the United States in 1995/96, with the 20 largest recipients receiving more than four-fifths of allocable bilateral ODA.

By DAC standards, relatively small shares of the United States' bilateral assistance benefits countries in Sub-Saharan Africa and Asia, while a comparatively large share is directed to countries in North Africa and the Middle East (see Table 6). In 1996, ODA to Latin America and the Caribbean was also low as compared to the DAC average. Nearly 22 per cent of United States' bilateral ODA went to least-developed countries in 1995/96 (DAC average: 27.0 per cent) and 10.8 per cent benefited other low-income countries (DAC average: 29.5 per cent). Excluding aid to Israel from the calculation, the figures for the United States rise to 31.2 per cent and 15.6 per cent, respectively. Expressed as a share of national income, the United States' bilateral ODA to least-developed countries represented 0.02 per cent of GNP in 1995 and 0.01 per cent in 1996, below the corresponding DAC averages (0.04 per cent in both 1995 and 1996) – the objective set in 1981 at the United Nations Conference on Least-Developed Countries was 0.15 per cent of GNP. The United States' substantial aid to Israel contributed to the proportion of ODA to high-income countries (29.5 per cent in 1995/96) being much higher than the average for the DAC as a whole (7.4 per cent). Excluding Israel from these calculations, the share of United States ODA to least-developed countries in 1995/96 rises to 31.2 per cent while ODA to high-income countries becomes negligible.

2. TOTAL FINANCIAL FLOWS

Total flows of resources – from both official and private sources – from the United States to developing countries in 1996 amounted to $55 853 million (at current prices), making the United States the leading DAC provider of net flows of financial resources, ahead of Japan, the United Kingdom and Germany. Expressed as a share of national income, the United States' total flows corresponded to 0.74 per cent GNP in 1996 (see Table 7), below the DAC average (0.89 per cent) and the seventh lowest performance among DAC countries.

Private non-concessional flows continued to be the principal source of the United States' total flows to developing countries, with direct investment being the largest sub-category. However, large amounts of bilateral portfolio investment were also recorded in recent years, reflecting the perceived attractiveness of equity investments in emerging markets. Official export credits, chiefly through the Eximbank, were negative and diminishing, reflecting amortisation payments being made and the fact that few official export credits were being provided.

Private grants by NGOs remained both substantial and an important component of DAC Member countries' collective development co-operation effort for developing countries. At $2 509 million in 1996, aid funds generated by NGOs in the United States represented 45.0 per cent of total grants made by private voluntary organisations from all DAC Member countries combined, and corresponded to 1.3 per cent of total DAC net financial flows to developing countries.

3. OFFICIAL AID

The United States was the largest provider of net official aid (OA) to countries and territories on Part II of the DAC list of aid recipients – this group comprises the more advanced central and eastern European countries and New Independent States of the former Soviet Union (CEECs/NIS), and the more advanced developing countries and territories – in 1996. The United States disbursed 30.3 per cent of total DAC flows to these countries in that year. At $1 694 million in 1996 – an increase of 29.8 per cent in real terms over its 1995 level – the United States' net disbursements of OA corresponded to 0.02 per cent of GNP, just below the DAC average of 0.03 per cent. The United States' OA consists predominantly of bilateral grants, supplemented by a small number of loans and contributions to the European Bank for Reconstruction and Development ($82 million in 1996). The largest recipients of OA in 1996 were Russia ($416 million) and Ukraine ($246 million). With effect from 1 January 1997, a further seven high-income countries, including Israel, transferred to Part II of the DAC list. As a consequence, the United States' assistance to Israel will be recorded as OA as

from that date, and no longer counted as part of ODA.

4. STATISTICAL REPORTING

Several different agencies deal with the various aspects of statistical reporting to the DAC Secretariat. The Department of Commerce compiles tables on *aggregate disbursements*. These are the source of data on total flows of official development assistance (ODA), other official flows, and private flows. Commerce's reporting is of a high technical standard, well annotated and consistent between tables.

Commerce relies heavily on balance of payments (BoP) data to compile its tables. Originally, DAC disbursement data was closely aligned with the balance of payments. Over the years, however, DAC Members have agreed to count a number of internal transactions as ODA. These do not figure in the BoP, and are hard to quantify in a large federal system like the United States. For example, no state or local government expenditure is counted within ODA. Nor are data available on the implicit subsidy of developing country students at State universities where fees do not cover the full economic cost of tuition.

There may also be some currently under-reported ODA-eligible expenditures among federal programmes outside the normal aid channels. Only the administrative costs of USAID and the Peace Corps are reported as ODA. No account is taken of the administrative costs of the State Department and other agencies in respect of programmes which are counted as ODA. It is also possible that a closer examination of peacekeeping expenditures would disclose additional eligible ODA claims. For reporting on 1996 flows, only peacebuilding in Somalia, Rwanda and Kurdish areas was recorded as ODA. No ODA was claimed for the $2.4 billion of US operations in the former Yugoslavia, because it was not possible to isolate the eligible amounts.

DAC Members are under no obligation to report any expenditure as ODA. In fact, where an expenditure does not have the economic development and welfare of developing countries as its main objective, it should not be reported as ODA, regardless of any actual benefit that may accrue to a developing country. In other cases, it may be administratively infeasible, or too expensive, to identify all actions that may qualify as ODA. The United States shows considerable restraint in its ODA reporting, a factor which should be taken into account in international comparisons of effort, even though it would unlikely be of sufficient proportions to change the basic measures or rankings of effort.

The relevant functions of USAID and the Department of the Treasury complete the picture of the United States' reporting system. USAID is responsible for reporting on *grant commitments. Individual grant commitments* are reportable to the OECD's Creditor Reporting System. *Aggregate commitments* by sector and tying status are reportable in tables of the DAC questionnaire. None of this reporting is satisfactory at present. Limited reporting, covering about half the items requested on CRS Forms 1, was provided until September 1996, but then lapsed because of problems in the introduction of the ambitious New Management System. Sector reporting on DAC Table 5 covers only about 60 per cent of total ODA. DAC Table 7*b* on tying status has not been submitted since 1991. The absence of all these data seriously hampers qualitative analysis and comparison of the United States programme with those of other donors.

The Department of the Treasury reports on *official loan commitments*. These are mostly classified as "other official flows", not ODA. These reports are extensive and of good quality, although sometimes rather late.

5. AID PROCUREMENT AND UNTYING

Due to incomplete reporting, an analysis of US tying practices for the past six years is not possible. In earlier periods some 35 to 40 per cent of bilateral ODA was extended in completely untied form. In 1990/91 69 per cent was reported as untied, more than the DAC average (*cf.* total DAC average for untied aid was 59 per cent in 1990/91). The untied share of US ODA consisted mainly of balance of payments and budget support, debt relief, and local cost financing.

The framework for current policies on untied and partially untied aid is set out in Section 604*(a)* of the Foreign Assistance Act of 1991, which provides that funds may be used for procurement, depending on the circumstances, only in the United States, the recipient country, or developing countries (not including advanced developing countries). These requirements may be waived and procurement may occur in other countries if commodities or services are only available elsewhere, in emergencies, or if it is the most efficient way to achieve objectives.

The US strongly supports implementation of the OECD rules and disciplines (Helsinki Package

and DAC disciplines) to limit distortions of trade and aid. For this reason, no USAID funds have been used in conjunction with Eximbank as mixed credits since 1991 (and few were used prior to that). In particular none are used in Eximbanks tied aid capital projects funds.

The new element in procurement in USAID is performance-based contracting, which was sponsored by the Office of Management and Budget and the President's Management Council. Starting in FY 1995, USAID endorsed the use of performance-based contracting whereby the work to be performed is defined in objective, mission-related output terms which emphasize what needs to be done rather than how to do it. Payment is directly tied to specific performance quality standards. This approach is consonant with USAID's new emphasis on outputs and results rather than inputs which occupied much of USAID's attention in the past. The foundation of performance-based services is the Performance Work Statement which describes the effort in terms of objective, measurable performance standards (outputs) which answer the questions "what, when, where, how many and how well" the work is to be performed. The five essential elements of Performance-Based Contracting are: *a)* performance requirements; *b)* performance standards; *c)* measurement techniques; *d)* incentives – positive and negative; and *e)* evaluation criteria performance requirement. To date USAID has not published evaluation information on its experience with performance-based contracting.

The United States, after much reflection and internal consultations, support the principle of untying aid to LLDCs. However, care should be taken that the initiative does not result in a deflection of aid funds away from the most needy developing countries. The United States expressed the hope that the DAC would reach agreement on the initiative at the 1999 DAC High Level Meeting. Failure to do so would undermine the credibility of the donor effort to promote local ownership and capacity building in partner countries.

The US position is key to successful efforts to liberalising aid procurements, in the interests of developing countries, of better partnership, and more economically-sustainable aid efforts. From the perspective of other DAC Members, full and active United States participation is also crucial for mutual "confidence-building". It is an essential part of maintaining, and, if justified, extending multilaterally agreed disciplines designed to improve development co-operation.

It is a major asset, as in other DAC countries, that US representatives to the Participants to the Export Credit Arrangement are fully in support of initiatives to liberalise aid procurement, from the perspective of their interest in levelling the playing field for trade.

It is worth noting that particular concerns for untying initiatives are that they should clearly lead toward liberalisation of aid to all countries, that there are transparent processes for the notification of untied aid offers and the verification of the winning bidders on aid-funded projects, and that strong follow up procedures will be put in place to ensure that the rules are observed by all parties.

6. DEBT REORGANISATION AND CANCELLATION

The United States has supported multilaterally co-ordinated debt relief measures and has accorded substantial bilateral debt relief. It was in fact the major provider of debt relief in its actions for Egypt and Poland in 1990-1991, which two countries alone accounted for 20 per cent of the debt reduction accorded between 1990 and 1996. Another $2.7 billion of ODA debt forgiveness was granted to the poorest nations. The cancellation of ODA loans mostly occurred in the period before 1994. The United States remains one of the four major DAC creditors for ODA debt (with France, Germany and Japan) but has been reducing loan disbursements for a good number of years. With debt cancellations and lower loan disbursements, the total stock of ODA debt has fallen from $26.5 billion in 1992 to $25.1 billion at end 1995. The United States now provides only grants rather than ODA loans to the poorest countries.

Although ODA debt forgiveness is no longer a major activity, the concessional rescheduling of non-concessional debt has been expanding in the framework of the Paris Club. With the introduction of Trinidad Terms (since 1990) with debt cancellation of up to 50 per cent and reduced debt service payments on export credits, and a further extension to 67 per cent of the maximum reduction under the Naples Terms since 1995, the poorest countries have benefited substantially from debt relief. As well as participating in these actions, the United States has given political support to the Heavily-Indebted Poor Countries (HIPC) Debt Initiative

which should further reduce the debt-servicing burden of these countries. However, as far as the Secretariat is aware, it has not yet made any contribution to the HIPC Trust Fund.

Particular attention has been given to countries in Latin America. One successful project has been the *Enterprise for the Americas Initiative* which reduced the bilateral foreign and food assistance debt of seven central and southern American countries by $875 million. Other tools have been used for debt relief. Part of the Enterprise for the Americas Initiative was to encourage the conversion of $154 million of debt to local currency funds supporting environment and child development programmes.

For middle-income developing countries, the United States was the inspiration behind the "Brady-type" operations. The Federal reserve system is involved in such agreements when it is selling the collateral that provides financial guarantees on the value of commercial debt restructured, and limited guarantees on interest payments. Eleven of the 15 countries which had completed Brady debt restructuring operations by December 1996 are in Latin America; the others are Nigeria, the Philippines, Poland and Bulgaria. In the past bridge loans have been provided by the US monetary authorities to developing countries with short-term difficulties.

Compared with other DAC Members, the United States has a particular problem with the organisation of debt relief because of the budgetary allocation of the cost of relief. The number and the autonomy of the agencies concerned is greater than in many other countries. This adds to the problem of data collection and the presentation of debt statistics.

TABLES, GRAPH

Table 1. **Delivery channels of United States ODA**

Gross disbursements, 1996

$ million

	Delivery channel								Total
	USAID	State Department	Treasury Department	Defence Department	Agriculture Department	Interior Department	Peace Corps	Other[a]	
Total gross disbursements	**6647**	**1 335**	**1 300**	**366**	**238**	**214**	**178**	**66**	**10 343**
For reference:									
Percentage share for each channel	64.3%	12.9%	12.6%	3.5%	2.3%	2.1%	1.7%	0.6%	100.0%
Composed of:									
Bilateral									
Technical assistance	2 553						178	55	2 787
Food aid grants	333[b]				86				420
Food aid loans					152				152
Emergency aid	209	252		124					585
Other bilateral grants:									
Former Trust Territory						214			214
International narcotics		123							123
Threat reduction				27					27
Narcotics				200					200
Anti-terrorism		12							12
Non-proliferation/disarmament								10	10
Trade and Development Agency	46								46
Residual USAID grants	3 264								3 264
Miscellaneous	4			15					19
Other bilateral loans	9								9
Multilateral									
Capital subscriptions			1 300						1 300
UN agencies:									
World Food Programme	178[b]								178
Other UN agencies		732							732
IFAD and CGIAR	50								50
Other multilateral organisations		216							216

a) African Development Foundation, Inter-American Foundation, Social Progress Trust Fund (administered by Inter-American Development Bank, transferred to Inter-American Foundation) and Energy Department.
b) Budgeted by Agriculture Department, implemented by USAID.
Source: US Department of Commerce and USAID.

Table 2. **Main ODA volume indicators**

	i) Disbursements and commitments					
	Two-year averages over ten-year period			1994	1995	1996
	1985/86	1990/91	1995/96			
ODA net disbursements						
Current prices and exchange rates						
($ million)	9 484	11 328	8 372	9 927	7 367	9 377
Bilateral	7 892	8 882	6 266	7 284	5 614	6 917
Multilateral	1 592	2 447	2 107	2 643	1 753	2 460
1995 prices and exchange rates						
($ million)	12 642	12 595	8 282	10 175	7 367	9 198
Bilateral	10 526	9 864	6 199	7 466	5 614	6 785
Multilateral	2 116	2 731	2 083	2 709	1 753	2 413
GNP ratios (%)	0.23	0.20	0.11	0.14	0.10	0.12
Bilateral	0.19	0.16	0.08	0.11	0.08	0.09
Multilateral	0.04	0.04	0.03	0.04	0.02	0.03
ODA commitments						
Current prices and exchange rates						
($ million)	10 517	20 840	9 932	11 089	9 358	10 505
Bilateral	8 952	18 314	7 816	8 519	7 537	8 096
Multilateral	1 565	2 527	2 116	2 570	1 821	2 410
GNP ratios (%)	0.26	0.38	0.13	0.16	0.13	0.14
Bilateral	0.22	0.33	0.11	0.12	0.10	0.11
Multilateral	0.04	0.05	0.03	0.04	0.03	0.03

	ii) Average annual growth rates of ODA disbursements in real terms					
				For reference: Total DAC		
	1985/86-1990/91	1990/91-1995/96	1985/86-1995/96	1985/86-1990/91	1990/91-1995/96	1985/86-1995/96
	Percentages					
Total ODA	–0.1	–8.0	–4.1	3.1	–3.2	–0.1
Bilateral	–1.3	–8.9	–5.2	3.7	–4.0	–0.2
Multilateral	5.2	–5.3	–0.2	1.7	–1.2	0.2
For reference:						
GNP growth in real terms	2.4	3.6	3.0	3.4	2.4	2.9

	iii) Share in total DAC					
	Two-year averages over ten-year period			1994	1995	1996
	1985/86	1990/91	1995/96			
	Percentages					
Total ODA	29.7	20.7	14.7	16.8	12.5	16.9
Bilateral	34.4	21.7	15.8	17.6	13.8	17.7
Multilateral	17.3	15.6	12.3	14.8	9.6	15.0
Gross national product	42.8	33.5	33.5	34.6	32.8	34.2

Source : OECD.

Table 3. **ODA net disbursements by main categories**

	At constant 1995 prices and exchange rates				% of total net ODA $ million				*For reference:* Total DAC: Share of total net ODA (%)			
	1990/91	1994	1995	1996	1990/91	1994	1995	1996	1990/91	1994	1995	1996
Bilateral	**9 864**	**7 466**	**5 614**	**6 785**	**78.3**	**73.4**	**76.2**	**73.8**	**72.4**	**69.8**	**68.9**	**70.5**
Grants	11 407	8 509	6 387	7 525	90.6	83.6	86.7	81.8	60.9	59.5	61.4	65.9
Project and programme aid	2 998	2 369	1 422	3 182	23.8	23.3	19.3	34.6	17.5	15.1	14.2	17.9
Technical co-operation	3 127	2 866	2 614	2 734	24.8	28.2	35.5	29.7	20.9	21.7	24.3	25.5
Food aid	1 080	1 217	771	412	8.6	12.0	10.5	4.5	2.8	3.0	2.3	1.5
Emergency aid (other than food aid)	451	1 160	789	574	3.6	11.4	10.7	6.2	3.1	5.9	5.2	4.9
Debt reorganisation	3 176	232	128	–	25.2	2.3	1.7	–	9.1	5.8	6.4	6.3
Core support to NGOs	–	–	–	–	–	–	–	–	2.0	1.9	2.1	2.5
Administrative costs	652	720	725	658	5.2	7.1	9.8	7.2	3.6	4.4	4.9	5.2
Other grants	(76)	(54)	(62)	(34)	–0.6	–0.5	–0.8	–0.4	1.7	1.7	2.0	2.2
Loans	(1 543)	(1 042)	(773)	(741)	–12.2	–10.2	–10.5	–8.1	11.5	10.3	7.5	4.7
For reference:												
Associated financing	–	–	–	–	–	–	–	–	0.6	0.8	0.7	0.7
Multilateral	**2 731**	**2 709**	**1 753**	**2 413**	**21.7**	**26.6**	**23.8**	**26.2**	**27.6**	**30.2**	**31.1**	**29.5**
UN agencies	780	1 163	976	893	6.2	11.4	13.2	9.7	7.4	7.3	7.2	7.9
of which:												
WFP	169	290	258	175	1.3	2.9	3.5	1.9	1.3	1.3	1.4	1.0
UNDP	128	125	95	50	1.0	1.2	1.3	0.5	1.9	1.6	1.5	1.6
UNICEF	81	102	82	98	0.6	1.0	1.1	1.1	0.7	0.6	0.6	0.7
UNFPA	–	41	29	–	–	0.4	0.4	–	0.4	0.5	0.5	0.6
World Bank group	1 263	765	594	791	10.0	7.5	8.1	8.6	8.7	8.4	9.5	7.8
of which: IDA	1 107	702	548	696	8.8	6.9	7.4	7.6	7.9	7.8	9.2	7.2
Regional development banks	405	451	–	427	3.2	4.4	–	4.6	2.6	4.4	2.2	2.8
EC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.7	8.0	9.1	8.3
Other multilateral	283	330	183	303	2.2	3.2	2.5	3.3	2.1	2.1	3.0	2.6
Total ODA net disbursements	**12 595**	**10 175**	**7 367**	**9 198**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
of which: Food aid	1 934	1 656	1 138	736	15.4	16.3	15.4	8.0	6.0	5.0	4.5	3.1

Source: OECD.

Table 4. **Distribution of bilateral ODA commitments by major purposes**

	1985/86		1990/91		1995/96		*For reference:* Total DAC % of total 1994/95
	$ million	% of total	$ million	% of total	$ million	% of total	
Social infrastructure and services	**1 592**	**17.8**	**2 455**	**13.4**	**2 195**	**31.7**	**29.0**
Education	338	3.8	452	2.5	325	4.7	11.0
Health	619	6.9	414	2.3	482	7.0	3.8
Population programmes	–	–	300	1.6	473	6.8	1.4
Water supply and sanitation	56	0.6	427	2.3	85	1.2	5.4
Government and civil society	124	1.4	709	3.9	356	5.1	3.0
Other social infrastructure and services	455	5.1	152	0.8	474	6.8	4.4
Economic infrastructure and services	**350**	**3.9**	**572**	**3.1**	**616**	**8.9**	**22.7**
Transport and storage	16	0.2	232	1.3	24	0.3	9.6
Communications	56	0.6	32	0.2	61	0.9	1.6
Energy	113	1.3	308	1.7	190	2.7	9.0
Banking and financial services	165	1.8	–	–	–	–	0.6
Business and other services	–	–	–	–	341	4.9	1.8
Production sectors	**1 216**	**13.6**	**915**	**5.0**	**984**	**14.2**	**10.6**
Agriculture, forestry and fishing	1 002	11.2	471	2.6	409	5.9	7.4
Industry, mining and construction	25	0.3	88	0.5	13	0.2	1.6
Industry	7	0.1	–	–	–	–	1.1
Mining	15	0.2	–	–	–	–	0.2
Construction	3	0.0	–	–	13	0.2	0.1
Trade and tourism	189	2.1	357	1.9	560	8.1	1.3
Trade	76	0.9	178	1.0	–	–	0.6
Tourism	113	1.3	–	–	–	–	0.1
Other	0	0.0	–	–	2	0.0	0.2
Multisector	**24**	**0.3**	**79**	**0.4**	**60**	**0.9**	**4.5**
Total sector allocable	**3 181**	**35.5**	**4 021**	**22.0**	**3 854**	**55.7**	**66.8**
Commodity aid and general programme assistance	4 886	54.6	3 961	21.6	626	9.0	7.0
Action relating to debt	43	0.5	8 266	45.1	–	–	9.3
Emergency assistance	206	2.3	381	2.1	661	9.6	5.0
Administrative costs of donors	472	5.3	288	1.6	509	7.4	4.6
Support to NGOs	164	1.8	–	–	–	–	1.0
Unallocated	–	–	1 398	7.6	1 272	18.4	6.3
Total	**8 952**	**100.0**	**18 314**	**100.0**	**6 922**[a]	**100.0**	**100.0**

a) This figure differs from the corresponding item in Table 2 because of incomplete reporting.
Source: OECD.

Table 5. **Major recipients of bilateral ODA net disbursements**

Rank	Recipient	1985/86			Recipient	1990/91			Recipient	1995/96		
		Constant 1995 $ million	% of bilateral allocable	Cumulative % of bilateral allocable		Constant 1995 $ million	% of bilateral allocable	Cumulative % of bilateral allocable		Constant 1995 $ million	% of bilateral allocable	Cumulative % of bilateral allocable
1	Israel	2 562	28.5	28.5	Egypt	2 945	36.5	36.5	Israel	1 269	30.6	30.6
2	Egypt	1 669	18.6	47.1	Israel	1 422	17.6	54.1	Egypt	669	16.1	46.7
3	El Salvador	373	4.1	51.2	Philippines	263	3.3	57.4	Haiti	224	5.4	52.1
4	Philippines	333	3.7	54.9	Nicaragua	262	3.2	60.6	Iraq	119	2.9	54.9
5	Sudan	331	3.7	58.6	El Salvador	239	3.0	63.6	Bosnia & Herzegovina	99	2.4	57.3
6	Northern Marianas Isl.	248	2.8	61.4	Iraq	184	2.3	65.9	Palau	94	2.3	59.6
7	Pakistan	225	2.5	63.9	Honduras	183	2.3	68.1	El Salvador	94	2.3	61.9
8	Honduras	224	2.5	66.4	Bangladesh	166	2.1	70.2	Bolivia	91	2.2	64.1
9	Costa Rica	219	2.4	68.8	Pakistan	157	1.9	72.1	South Africa	89	2.2	66.2
10	Bangladesh	207	2.3	71.1	Sudan	127	1.6	73.7	Philippines	79	1.9	68.1
11	Peru	182	2.0	73.2	Panama	107	1.3	75.0	Micronesia Fed. St.	76	1.8	69.9
12	Ethiopia	156	1.7	74.9	Bolivia	92	1.1	76.2	Jordan	76	1.8	71.8
13	Jamaica	137	1.5	76.4	Guatemala	91	1.1	77.3	Armenia	73	1.8	73.5
14	Dominican Republic	112	1.2	77.7	Peru	89	1.1	78.4	Mozambique	70	1.7	75.2
15	Bolivia	112	1.2	78.9	Jamaica	88	1.1	79.5	Peru	66	1.6	76.8
16	Sri Lanka	101	1.1	80.0	Kenya	88	1.1	80.6	Ethiopia	62	1.5	78.3
17	Morocco	96	1.1	81.1	Costa Rica	86	1.1	81.6	Rwanda	55	1.3	79.6
18	Haiti	93	1.0	82.1	Sri Lanka	85	1.1	82.7	Georgia	53	1.3	80.9
19	Somalia	90	1.0	83.1	Turkey	80	1.0	83.7	Bangladesh	48	1.2	82.1
20	Guatemala	90	1.0	84.1	Ethiopia	76	0.9	84.6	Malawi	45	1.1	83.1
	Total bilateral allocable	**8 984**	**100.0**	**100.0**	**Total bilateral allocable**	**8 069**	**100.0**	**100.0**	**Total bilateral allocable**	**4 151**	**100.0**	**100.0**
	Unallocated (additional to total shown)	1 543	17.2		Unallocated (additional to total shown)	1 795	22.2		Unallocated (additional to total shown)	2 048	49.3	
	Memo. item: Total number of recipients	100			*Memo. item:* Total number of recipients	104			*Memo. item:* Total number of recipients	120		

Source: OECD.

Table 6. **Allocable ODA net disbursements by major groupings and regions**

	ODA disbursements at constant 1995 prices and exchange rates $ million				Average annual change in real terms Per cent		Share of bilateral ODA Per cent				*For reference:* Total DAC: share of bilateral ODA Per cent			
	1985/86	1990/91	1995	1996	1985/86-1990/91	1990/91-1995/96	1985/86	1990/91	1995	1996	1985/86	1990/91	1995	1996
Sub-Saharan Africa	1 470	1 096	1 050	623	–5.7	–5.3	16.4	13.6	28.1	13.6	30.7	31.5	31.6	30.6
Low-income countries	1 433	1 050	911	524	–6.0	–7.3	16.0	13.0	24.4	11.5	29.5	29.9	29.0	28.0
Other	37	46	139	99	4.7	20.9	0.4	0.6	3.7	2.2	1.2	1.6	2.6	2.6
North Africa and Middle East	4 482	4 719	1 165	3 066	1.0	–14.8	49.9	58.5	31.2	67.1	23.1	22.5	12.8	20.5
Low-income countries	52	34	3	3	–8.4	–38.4	0.6	0.4	0.1	0.1	0.5	0.6	0.3	0.4
Other	4 430	4 686	1 162	3 063	1.1	–14.7	49.3	58.1	31.1	67.0	22.6	21.9	12.4	20.1
Asia	1 016	781	331	215	–5.1	–19.0	11.3	9.7	8.9	4.7	27.2	27.2	32.7	26.6
Low-income countries	622	498	232	201	–4.3	–15.4	6.9	6.2	6.2	4.4	17.9	15.9	22.6	19.2
Other	394	283	99	14	–6.4	–27.6	4.4	3.5	2.7	0.3	9.3	11.3	10.1	7.4
America	1 686	1 338	781	347	–4.5	–15.9	18.8	16.6	20.9	7.6	12.8	12.3	13.6	13.3
Low-income countries	320	500	465	132	9.3	–9.8	3.6	6.2	12.5	2.9	2.2	2.9	4.0	3.7
Other	1 366	838	316	215	–9.3	–20.5	15.2	10.4	8.5	4.7	10.6	9.4	9.6	9.6
Oceania	253	35	217	216	–32.7	44.0	2.8	0.4	5.8	4.7	4.9	3.4	5.2	5.3
Europe	77	99	189	102	5.0	8.0	0.9	1.2	5.1	2.2	1.3	3.1	4.1	3.6
Total bilateral allocable	**8 984**	**8 069**	**3 733**	**4 569**	**–2.1**	**–12.4**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Memo. items:														
Least-developed countries	1 608	1 129	1 246	553	–6.8	–4.4	17.9	14.0	33.4	12.1	30.2	26.9	28.2	25.7
Other low-income countries	821	954	442	458	3.0	–14.0	9.1	11.8	11.8	10.0	20.2	23.2	30.6	28.3
Lower middle-income countries	3 686	4 543	1 691	1 292	4.3	–20.0	41.0	56.3	45.3	28.3	31.4	38.5	31.2	31.9
Upper middle-income countries	66	7	65	104	–37.1	66.8	0.7	0.1	1.7	2.3	4.1	4.4	5.4	3.9
High-income countries	2 802	1 436	289	2 162	–12.5	–3.1	31.2	17.8	7.7	47.3	14.0	7.1	4.6	10.1
Unallocated (additional to total shown)	1 543	1 795	1 880	2 216	3.1	2.7	17.2	22.2	50.4	48.5	18.8	21.4	28.2	29.9

Source: OECD.

Table 7. **Total financial flows**

Net disbursements in $ million at 1995 prices and exchange rates

	1985/86	1990/91	1994	1995	1996
Official development assistance	**12 642**	**12 595**	**10 175**	**7 367**	**9 198**
Other official flows	**(248)**	**(678)**	**889**	**1 473**	**1 098**
Official export credits	(1 783)	(941)	(332)	(420)	(56)
Equities and other bilateral assets	1 535	263	1 221	1 893	1 154
Multilateral	–	–	–	–	–
Private non-concessional flows	**(1 340)**	**2 819**	**47 488**	**35 642**	**42 028**
Direct investment	2 673	10 152	21 942	23 228	22 982
Bilateral portfolio investment	(3 510)	(9 534)	20 334	13 404	19 100
Multilateral portfolio investment	324	2 282	621	(210)	(978)
Private export credits	(828)	(81)	4 591	(780)	925
Private grants	**2 175**	**2 876**	**2 679**	**2 502**	**2 461**
Total non-ODA flows	**587**	**5 016**	**51 056**	**39 617**	**45 587**
As share of GNP (%)	0.01	0.08	0.72	0.55	0.61
Total flows	**13 229**	**17 611**	**61 231**	**46 984**	**54 785**
As share of GNP (%)	0.24	0.29	0.86	0.65	0.74

Source: OECD.

Table 8. **United States tariff preferences by agreement, 31 December 1995 and imports under preferences in 1994**

Percentage and US$ billion

Agreement	Number of tariff lines with tariff preference	Unweighted average				Value (1994) (US$ bn)	Imports 1994		
		Incl AVE[1]		Excl. AVE[2]			Share of total value (Per cent)	Value of imports under preferences (US$ bn)	Share of imports under preferences (Per cent)
		No. of lines	Average	No. of lines	Average				
Total	**9 835**	**..**	**..**	**..**	**..**	**635.0**	**100.0**	**153.6**	**24.2**
Agriculture	1 733	..	..	..	..	33.5	5.3	9.1	27.1
Manufacturing	8 102	..	..	..	..	601.4	94.7	144.5	24.0
M.f.n.	**9 835**	**9 544**	**6.52**	**8 909**	**6.26**	**365.2**	**57.5**	**–**	**–**
Agriculture	1 733	1 608	8.49	1 091	7.77	10.4	2.9	–	–
Manufacturing	8 102	7 936	6.12	7 818	6.05	354.8	97.1	–	–
GSP	**4 454**	**9 606**	**4.17**	**9 262**	**3.75**	**79.4**	**12.5**	**21.7**	**27.4**
Agriculture	549	1 626	6.41	1 344	4.58	8.1	10.2	1.2	14.8
Manufacturing	3 905	7 980	3.71	7 919	3.61	71.3	89.8	20.5	28.8
CBERA	**6 728**	**9 755**	**2.16**	**9 705**	**1.86**	**10.8**	**1.7**	**3.2**	**29.2**
Agriculture	1 178	1 674	2.74	1 641	1.31	2.5	23.2	0.9	36.1
Manufacturing	5 550	8 081	2.04	8 064	1.97	8.3	76.8	2.2	27.1
ATPA	**6 556**	**9 755**	**2.34**	**9 704**	**2.03**	**5.7**	**0.9**	**1.1**	**18.8**
Agriculture	1 176	1 674	2.75	1 640	1.31	2.4	41.2	0.5	21.3
Manufacturing	5 380	8 081	2.25	8 064	2.18	3.4	58.8	0.6	17.1

Note: .. denotes data not available.
1. AVE (*ad valorem* equivalent) of specific duties.
2. The *ad valorem* part of the non-*ad-valorem* duties is taken into account when available.

Source: World Trade Organisation (WTO) Secretariat calculations based on data provided by the US Government.

Table 9. **US imports, 1985-1995**

Import from:	1985 (million US$)	Average annual growth rate (per cent)	1995 (million US$)	Share in total US imports (per cent)	
				1985	1995
Grand, total	**358 895**	**7.9**	**770 944**		
OECD, total	**258 186**	**7.3**	**520 005**	**71.9**	**67.5**
Non-OECD, total	**99 433**	**9.7**	**250 576**	**27.7**	**32.5**
Sub-Saharan Africa, total	**9 917**	**3.1**	**13 449**	**2.8**	**1.7**
Nigeria	3 108	5.0	5 055	0.9	0.7
Angola	1 094	8.1	2 390	0.3	0.3
North-Africa and Middle East , total	**9 230**	**8.2**	**20 242**	**2.6**	**2.6**
Saudi Arabia	2 026	15.9	8 898	0.6	1.2
Israel	2 201	10.3	5 841	0.6	0.8
Algeria	2 426	–2.9	1 807	0.7	0.2
Asia*, total	**50 424**	**12.6**	**165 032**	**14.0**	**21.4**
China	4 222	27.7	48 521	1.2	6.3
Taiwan Province of China	17 761	5.4	30 158	4.9	3.9
Singapore	4 412	15.7	18 897	1.2	2.5
Malaysia	2 398	22.3	17 981	0.7	2.3
Thailand	1 542	22.6	11 854	0.4	1.5
Hong Kong	8 994	1.8	10 745	2.5	1.4
Indonesia	4 935	4.9	7 955	1.4	1.0
Philippines	2 333	12.2	7 364	0.7	1.0
India	2 476	9.4	6 091	0.7	0.8
Latin America, total	**28 792**	**4.6**	**45 264**	**8.0**	**5.9**
Venezuela	6 800	4.4	10 428	1.9	1.4
Brazil	8 103	1.5	9 428	2.3	1.2
Colombia	1 453	10.6	3 992	0.4	0.5
Dominican Republic	917	14.4	3 511	0.3	0.5
Ecuador	1 975	0.9	2 158	0.6	0.3
Oceania*, total	**40**	**11.3**	**115**	**0.0**	**0.0**
Europe*, total	**1 030**	**20.2**	**6 475**	**0.3**	**0.8**
Residuals	1 275		363		
Grand, total	**358 895**	**7.9**	**770 944**		
OECD, total	**258 186**	**7.3**	**520 005**	**71.9**	**67.5**
Non-OECD, total	**99 433**	**9.7**	**250 576**	**27.7**	**32.5**
LLDCs, total	**2 898**	**5.5**	**4 960**	**0.8**	**0.6**
LICs, total	**12 756**	**17.8**	**65 470**	**3.6**	**8.5**
LMICs*, total	**27 376**	**7.8**	**58 025**	**7.6**	**7.5**
UMICs*, total	**19 208**	**9.3**	**46 846**	**5.4**	**6.1**
HICs*, total	**1 223**	**3.7**	**1 761**	**0.3**	**0.2**
CEECs and NIS*, total	**990**	**18.8**	**5 565**	**0.3**	**0.7**
More Advanced Developing Countries and Territories, total	**34 983**	**6.9**	**67 948**	**9.7**	**8.8**
Residuals	1 275		363		

* Excluding OECD Member countries.
Source: OECD.

Table 10. **US exports, 1985-1995**

	1985 (million US$)	Average annual growth rate (per cent)	1995 (million US$)	Share in total US imports (per cent)	
				1985	1995
Grand, total	**205 226**	**10.3**	**546 465**		
OECD, total	**143 266**	**10.3**	**382 872**	**69.8**	**70.1**
Non-OECD, total	**52 767**	**11.9**	**162 356**	**25.7**	**29.7**
Sub-Saharan Africa, total	**3 693**	**3.7**	**5 299**	**1.8**	**1.0**
North-Africa and Middle East, total	**11 157**	**6.6**	**21 047**	**5.4**	**3.9**
Saudi Arabia	3 886	4.4	5 982	1.9	1.1
Israel	1 807	10.3	4 813	0.9	0.9
Egypt	1 964	4.2	2 977	1.0	0.5
Asia*, total	**21 222**	**14.7**	**83 916**	**10.3**	**15.4**
Taiwan, Province of China	4 337	15.3	18 036	2.1	3.3
Singapore	3 339	15.1	13 648	1.6	2.5
Hong Kong	2 588	17.2	12 705	1.3	2.3
China	3 796	11.8	11 613	1.8	2.1
Malaysia	1 435	19.0	8 191	0.7	1.5
Thailand	729	23.8	6 158	0.4	1.1
Philippines	1 352	14.1	5 072	0.7	0.9
Indonesia	774	15.7	3 317	0.4	0.6
India	1 615	6.9	3 149	0.8	0.6
Latin America, total	**16 224**	**11.3**	**47 289**	**7.9**	**8.7**
Brazil	3 058	13.4	10 757	1.5	2.0
Venezuela	3 094	3.8	4 476	1.5	0.8
Colombia	1 422	12.1	4 449	0.7	0.8
Argentina	694	19.1	3 980	0.3	0.7
Chile	670	17.8	3 446	0.3	0.6
Oceania*, total	**111**	**6.7**	**213**	**0.1**	**0.0**
Europe*, total	**360**	**29.0**	**4 591**	**0.2**	**0.8**
Residuals	9 193		1 237		
Grand, total	**205 226**	**10.3**	**546 465**		
OECD, total	**143 266**	**10.3**	**382 872**	**69.8**	**70.1**
Non-OECD, total	**52 767**	**11.9**	**162 356**	**25.7**	**29.7**
LLDCs, total	**1 994**	**1.1**	**2 233**	**1.0**	**0.4**
LICs, total	**7 758**	**9.6**	**19 468**	**3.8**	**3.6**
LMICs*, total	**15 484**	**11.1**	**44 500**	**7.5**	**8.1**
UMICs*, total	**12 398**	**11.7**	**37 428**	**6.0**	**6.8**
HICs*, total	**523**	**5.0**	**854**	**0.3**	**0.2**
CEECs and NIS*, total	**310**	**28.3**	**3 739**	**0.2**	**0.7**
More Advanced Developing Countries and Territories, total	**14 300**	**14.2**	**54 133**	**7.0**	**9.9**
Residuals	9 193		1 237		

* Excluding OECD Member countries.
Source: OECD.

Table 11. **Composition of US trade, 1985-1995**

	Imports (Unit: million US$)						Exports (Unit: million US$)					
	From the world			From non-OECD countries			To the world			To non-OECD countries		
	US		OECD	US		OECD	US		OECD	US		OECD
	1985	1995	1995	1985	1995	1995	1985	1995	1995	1985	1995	1995
Total	**358 895**	**770 822**	**3 508 857**	**131 366**	**276 862**	**919 875**	**205 226**	**546 442**	**3 488 214**	**75 236**	**189 054**	**950 502**
Agricultural products	**32 865**	**53 056**	**428 738**	**15 872**	**19 975**	**122 699**	**36 531**	**78 915**	**390 917**	**17 408**	**32 045**	**95 296**
Mining products	**66 507**	**83 570**	**389 438**	**42 665**	**43 432**	**205 451**	**15 581**	**24 666**	**215 245**	**4 853**	**8 266**	**42 938**
of which: Petroleum and gas	55 551	61 313	234 698	38 514	36 053	151 373	5 368	6 579	96 627	2 372	2 949	17 514
Manufactures	**251 244**	**608 510**	**2 590 358**	**70 878**	**208 651**	**617 893**	**146 346**	**421 562**	**2 779 006**	**51 157**	**142 132**	**768 006**
of which: Textiles and footwear	11 307	23 143	116 072	7 089	15 794	45 117	2 552	7 854	103 357	1 258	2 629	28 759
	Imports shares by commodities						Exports shares by commodities					
	From the world			From non-OECD countries			To the world			To non-OECD countries		
	US		OECD	US		OECD	US		OECD	US		OECD
	1985	1995	1995	1985	1995	1995	1985	1995	1995	1985	1995	1995
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Agricultural products	**9.2%**	**6.9%**	**12.2%**	**12.1%**	**7.2%**	**13.3%**	**17.8%**	**14.4%**	**11.2%**	**23.1%**	**17.0%**	**10.0%**
Mining products	**18.5%**	**10.8%**	**11.1%**	**32.5%**	**15.7%**	**22.3%**	**7.6%**	**4.5%**	**6.2%**	**6.5%**	**4.4%**	**4.5%**
of which: Petroleum and gas	15.5%	8.0%	6.7%	29.3%	13.0%	16.5%	2.6%	1.2%	2.8%	3.2%	1.6%	1.8%
Manufactures	**70.0%**	**78.9%**	**73.8%**	**54.0%**	**75.4%**	**67.2%**	**71.3%**	**77.1%**	**79.7%**	**68.0%**	**75.2%**	**80.8%**
of which: Textiles and footwear	3.2%	3.0%	3.3%	5.4%	5.7%	4.9%	1.2%	1.4%	3.0%	1.7%	1.4%	3.0%

Note: Categorisations follow standard international trade classification.
Agricultural Products; 0 + 1 + 4 + 21 + 22 + 23 + 24 + 25 + 26 + 29.
Mining products; 27 + 28 + 3 + 68.
of which: Petroleum and Gas; 33 + 34.
Manufactures; 5 + 6 + 7 + 8-68.
of which: Textiles and footwear; 65 + 85.
Source: Foreign Trade by Commodities 1990-1995 (Statistics Directorate OECD).

Table 12. **US imports for consumption under the GSP from leading beneficiaries,* and total, 1996**

In million US$

Rank	Beneficiary	Total imports	Imports of GSP articles	
			GSP-eligible	GSP duty-free**
1	Malaysia	17 771	7 246	4 064
2	Thailand	11 320	4 203	2 341
3	Brazil	8 868	3 247	1 962
4	Indonesia	8 078	2 566	1 861
5	Philippines	8 173	1 901	1 428
6	India	6 143	1 447	964
	Top 6	80 704	22 665	14 305
	Total	**124 120**	29 839	16 922

Note: Because of rounding figures may not add to the totals shown.

* These import data show total imports from the top 6 beneficiary countries that fall in HTS provisions that are eligible for duty-free entry under GSP. For a variety of reasons all imports from beneficiary countries under HTS provisions that appear to be eligible for GSP do not always and necessarily receive duty-free entry under the GSP.

** These import data show the total imports from the top 6 GSP beneficiary countries that actually received duty-free entry under the GSP programme.

Source: Compiled from official statistics of the US Department of Commerce.

Table 13. **US Direct investment abroad: stock and flows, 1985-1995**

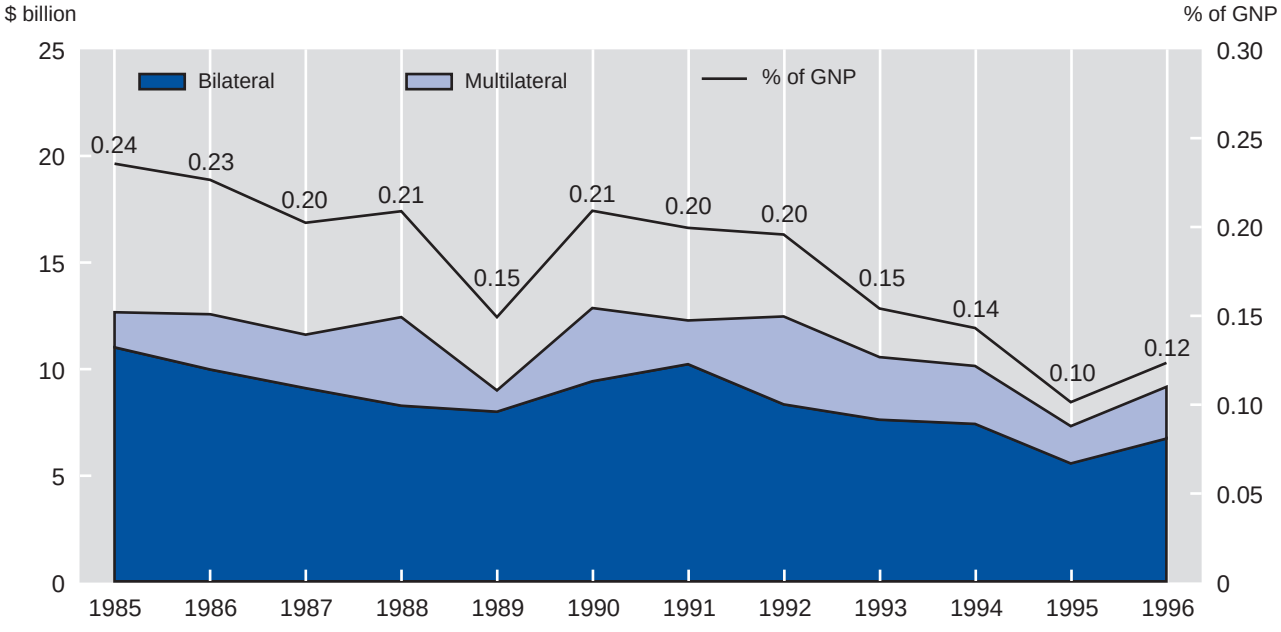
Million US$

	1985 (Stock, year-end)	1986	1989	1992	1995	1995 (Stock, year-end)
Grand, total	***230 287***	**17 701**	**37 604**	**42 647**	**93 406**	***711 621***
OECD, total	**176 126**	**9 814**	**29 200**	**24 550**	**71 330**	**529 774**
Non-OECD, total	**54 161**	**7 887**	**8 404**	**18 097**	**22 076**	**181 847**
Sub-Saharan Africa, total	**–**	**–**	**–**	**–255**	**753**	**3 791**
South Africa	–	–	–	118	288	1 269
Angola	–	–	–	–	95	650
Nigeria	–	–	–	–271	292	595
North-Africa and Middle East, total	**5 085**	**–161**	**65**	**691**	**366**	**8 813**
Saudi Arabia	2 442	49	56	45	–	3 371
Israel	717	–110	–33	510	243	1 574
Egypt	1 926	–100	42	65	–24	1 409
United Arab Emirates	–	–	–	73	127	675
Asia*, total	**14 657**	**886**	**1 325**	**4 980**	**6 813**	**52 205**
Hong Kong	3 295	691	465	1 914	828	13 780
Singapore	1 874	193	165	1 282	1 994	12 570
Indonesia	4 475	37	–65	806	918	7 050
Thailand	1 074	–116	384	516	891	4 596
Chinese Taipei	750	80	177	108	478	4 391
Malaysia	1 140	–91	50	–129	1 114	3 653
Philippines	1 032	42	49	134	273	2 648
China	311	–113	100	74	436	1 997
India	383	51	–	52	153	836
Latin America, total	**23 210**	**7 728**	**7 437**	**11 431**	**12 501**	**108 728**
Brazil	8 893	261	3 014	2 054	4 596	23 590
Panama	–	–	–	677	1 006	15 908
Argentina	2 705	274	59	558	2 107	7 962
Chile	88	88	583	106	1 250	5 510
Colombia	–	–	–	406	252	3 414
Venezuela	–	–	–	692	603	3 372
Netherlands Antilles	–	–	–	3 572	570	2 473
Costa Rica	–	–	–	–147	254	790
Oceania*, total	**–**	**–**	**–**	**–**	**–**	**72**
Europe*, total	**–**	**–**	**–**	**179**	**567**	**2 939**
Residuals	11 209	–566	–423	1 071	1 076	5 299
Grand, total	**230 287**	**17 701**	**37 604**	**42 647**	**93 406**	**711 621**
OECD, total	**176 126**	**9 814**	**29 200**	**24 550**	**71 330**	**529 774**
Non-OECD, total	**54 161**	**7 887**	**8 404**	**18 097**	**22 076**	**181 847**
LLDCs, total	**–**	**–**	**–**	**16**	**141**	**997**
LICs, total	**694**	**–62**	**100**	**–233**	**995**	**4 697**
LMICs*, total	**8 507**	**–137**	**410**	**3 551**	**5 103**	**45 438**
UMICs*, total	**15 268**	**581**	**3 762**	**2 948**	**9 564**	**47 860**
HICs*, total	**–**	**–**	**–**	**3 572**	**570**	**2 538**
CEECs and NIS*, total	**–**	**–**	**6**	**–8**	**512**	**1 003**
More Advanced Developing Countries and Territories, total	**6 636**	**854**	**774**	**7 207**	**3 642**	**63 063**
Residuals	23 056	6 651	3 352	1 044	1 549	16 251

* Excluding OECD member countries.

Source: *International Direct Investment Statistics Yearbook 1997* (OECD).

Graph 1. **ODA net disbursements**
At constant 1995 prices and as a share of GNP



Source: OECD.

Annex 1

ENVIRONMENTAL CONSIDERATIONS IN DEVELOPMENT CO-OPERATION: CASE STUDY – UNITED STATES (OECD/DAC/SEPTEMBER 1996)

CONCLUSIONS

At the policy level, the US commitment to sustainable management of the environment as an integral part of development assistance has been further strengthened over the past five years. It is now clearly integrated in the agency management framework through the formal adoption by USAID of a Sustainable Development Agency Framework in 1994 which has made environment one of the five priorities of programming for USAID.[24] Under this framework, the conception of sustainable development is well articulated around a series of objectives and expected corporate results. The challenge ahead will be in ensuring that the integrated approach promoted at the agency level where environment is not just seen as one of the five agency "sectors" but also as an important cross-cutting issue is well reflected at the level of country and project operations. The vision of "sustainable development promoted" builds on the involvement of the various recipient country and US development actors in a process of constant partnership in the management of development assistance. NGOs and other local level actors are granted a special role in this respect.

The adoption of the Agency framework at the policy level, in parallel with a major "re-engineering" of USAID with the objective of developing the organisation into a streamlined, result-based organisation, have put pressure on the human resources. However, the commitment to environment is evident at this level through the growing number of environmental experts in the agency over that period, notwithstanding the overall curb on further recruitment in USAID as a whole. Mandates of the different centres of environmental expertise under US development assistance are still, to a certain extent, under redefinition as part of this re-engineering exercise. However, there is an intent to develop a stronger and more integrated central technical expertise Center as a key feature of this reorganisation. One of the particularities and great strengths of the US aid programme is its highly decentralised nature which commands the involvement of numerous local actors and ensure a programme closely associated with the development needs of the local populations. Although this has in general also contributed to ensuring the environmental soundness and sustainability of US development activities, from an organisational perspective it appears that further efforts are still required to ensure that the same expertise is available throughout the numerous USAID field missions.

Over the past five years, USAID staff have also followed a substantial amount of environment and environment-related training, which has clearly contributed to changes in perception within the agency. Networks and internal co-ordination mechanisms on the environment have too been instrumental in sending a clear message of strong high level political commitment for further integration of environmental concerns in development assistance. Of particular interest here is the policy level co-ordination mechanism under the lead of the White House. The greater availability of funds for environmental programming should also be recognised as a factor which in itself has influenced changes in perception on this issue.

At the procedural level, the re-engineering of USAID has adopted integrated country programming as the prefered tool for management of the aid programme. This is the strongest example so far among bilateral donors of an effort to integrate a sustainable development perspective at this level into a coherent, well defined and monitored process. As mentioned earlier, the challenge ahead will be to ensure that the different aspects of sustainable development retained for country focus are not compartmentalised through sectoral approaches but rather reinforce each other.

The greater and unequivocal emphasis on country level programming as the focus for agency planning has been accompanied by the introduction of a systematic performance review system involving the introduction of environmental indicators to monitor progress in achieving the Agency's strategic objectives from the corporate policy level to the project level. This must also be saluted as a most challenging effort to systematically monitor the implementation of corporate environmental objectives. The performance review system is now in its second year of operation while a defined set of environmental indicators have just been introduced as one of the formal means of measurement of this performance. Further adjustments are to be expected as USAID and its staff develop a better understanding of what the "result-based orientation promoted" involves in practice. One of the challenges here will be in further pinpointing how USAID's own programmes can in practice fairly be monitored against the indicators so far retained by the Agency for performance monitoring. This in particular given the scope of these indicators: they are generally influenced by numerous factors outside of USAID's control and may not always be readily available or reliable. A number of these indicators also show changes only over a certain time span which may be incompatible with the more short-term result-based approach being increasingly promoted. Progress by USAID in tackling these issues should be of particular interest to other aid agencies now contemplating a shift to country level management focus.

Still with respect to monitoring and evaluation issues, another challenge will be in making the information compiled through the already very comprehensive data base system on environmental programming more reliable and clearly compatible with the Agency-stated environmental objectives. There are indications that there is room for improvement in the classification of initiatives under the adopted coding system.

Environmental Impact Assessment (EIA) procedures are now a regular part of operations and usually considered very effective and fairly well implemented at the project level. Awareness of the requirement to apply EIA is apparently high within USAID staff. The challenge now lies in the follow up on environmental impacts assessment beyond the early stages of project planning. There are indications that the monitoring of the implementation of mitigation measures prescribed under EIA could be strengthened and more systematic. The present weakness at this level is apparently mainly due to human resource shortages. However, now that the EIA practice is well in place at the early planning stage, USAID expects to concentrate its efforts into making this monitoring and follow up more systematic. EIA at the strategic level might also emerge as a growing area of interest for USAID as country strategic plans become a central management instrument which could eventually benefit from such assessments.

At the implementation level, the data available on environmental programming clearly reflect the growing priority attached to environment, with 13 per cent of total USAID budget obligations directed to environment in 1995 up from 8 per cent in 1992. Natural resources management and conservation has been a traditionally important field of activity for USAID's programme. However, with the growing emphasis on climate change, urban issues and the Eastern European region, more and more activities are conducted in the "brown issues" sector. This is also resulting in growing attention to technology transfer related initiatives.

With regard to the relationship of the US programme with the multilateral institutions, one uniquely US mechanism is the Early Project Notification System developed to follow up on MDBs' activities from an environment view point. This system was already in place in 1986 and its continued use has been instrumental in pressuring changes in favour of further concern for environment in the MDBs. In general, the US is now pressuring international organisations to follow its lead in re-engineering development organisations towards more transparent institutions, with clearly defined mandates and performance objectives. This has had impacts on its approach to negotiations on financial contributions to a number of these organisations (a well known case in this respect has been in its dealings with the United Nations).

In terms of follow-up to the United Nations Conference on Environment and Development, Rio de Janeiro, 1992 (UNCED), the US has been a force in Global Environmental Issues, in particular in relation to climate change and biodiversity related matters which now account for an important portion of its bilateral portfolio and are considered as priority areas of programming under its corporate framework. The Agency did not proceed as such with a critical review of its activities in light of Agenda 21 although the adoption of the sustainable develop-

ment framework in 1994 as the central element guiding USAID's programs should be instrumental in bringing USAID's activities further in line with the UN Agenda for action. Here again, the challenge will be in avoiding compartmentalisation of the different objectives pursued under this framework and in ensuring a thoroughly integrated approach in programming at the country and project levels.

In-country collaboration within the United States is in general well developed at various levels. Collaboration with other relevant US government departments is now routinely conducted at the policy, organisational and project implementation levels. In this respect, USAID collaborated closely with the EPA on a number of environment-related initiatives, particularly in Central and Eastern Europe.

Collaboration with NGOs and PVOs is also well established with a growing proportion of USAID's activities being channelled through this group. Environment has been a privileged field for such collaboration, in particular through biodiversity and conservation schemes which typically have a strong grass roots orientation. NGOs are also closely involved in the development of policy level positions both at the corporate USAID level and for organisations such as the GEF and the World Bank. In the early 1980s, the actions of NGOs had been instrumental in furthering changes in USAID's approaches to development and environment.

Research institutions and universities are also regular partners under US assistance for environment and development. They play a well-recognised role in research networking and dissemination of information, and more generally as advisory bodies in Capacity Development in Environment initiatives in partnership with local institutions.

The involvement of the US private sector can also be witnessed at various levels. A first mechanism for such collaboration is through consulting services used for various types of inputs on environment and development-related issues in USAID's corporate and project level management cycle. However, collaboration is increasingly taking place through project implementation in the field of environment. Private US companies, in particular, are getting more and more involved as environment technology transfer grows as a field of intervention. This is especially true with the strengthened focus on climate-change related programming and more generally on pollution control issues (especially in the Near East and in central and eastern European countries). Finally, the development of joint implementation schemes as a follow up to the Framework Convention on Climate Change (also involving substantial technology transfer) is giving further impetus for collaboration with this US development actor.

Annex 2

USAID PRESENCE IN THE FIELD (as of 30 September 1997)

Region	Countries (number of US foreign service)
Africa	Angola (2); Benin (5) Eritrea (4); Ethiopia (13); Ghana (10); Guinea (6); Guinea-Bissau (1); Kenya (7); Liberia (1); Madagascar (7); Malawi (12); Mali (6); Mozambique (10); Namibia (4); Niger (2); Nigeria (1) REDSO/East Africa (21); REDSO/West Africa (22); Regional Center for Southern Africa (14); Rwanda (6); Senegal (11); Somalia (2); South Africa (22); Tanzania (9); Uganda (10); Zambia (8); Zimbabwe (8)
Europe and Newly Independent States (ENI)	Albania (3); Armenia (7); Bosnia-Herzegovina (9); Bulgaria (4); Croatia (2); Georgia (1); Kazakstan (14); Lithuania (2); Macedonia (2); Moldova (1); Poland (7); RSC/Hungary-Slovania (5); Romania (5); Russia (15); Slovakia (3) Ukraine (11); Uzbekistan (1)
Asia/Near East (ANE)	Bangladesh (17); Cambodia (4); Egypt (72); India (14); Indonesia (14); Jordan (10); Lebanon (1); Outer Mongolia (1); Morocco (7); Nepal (9); Philippines (19); Sri Lanka (5); West Bank/Gaza (15)
Latin America	Bolivia (14); Brazil (2); Colombia (1); Dominican Republic (9); Ecuador (7); El Salvador (22); Guatemala (16); Guyana (1); Haiti (16); Honduras (15); Jamaica (8); Mexico (2); Nicaragua (17); Panama (3); Paraguay (2); Peru (20)

USAID also has some career staff posted overseas under the Inspector General (40), the Bureau for Humanitarian Response where there are humanitarian and relief programmes (1), and for urban and environmental development (formerly housing and urban development) (9).

Source: USAID.

Annex 3

USAID MISSIONS CLOSED BETWEEN FY 94 AND FY 97

FY 1994	FY 1995	FY 1996	FY 1997	To be closed in FY 1998
Afghanistan Côte d'Ivoire South Pacific Regional Togo Zaire	Argentina Botswana Burkina Faso Cameroon Chad Lesotho Pakistan Thailand Tunisia Uruguay	Belize Cape Verde Caribbean Regional Chile Costa Rica Estonia Gambia Oman Swaziland Thailand Southeast Asia Regional Yemen	Czech Republic Slovenia	Niger

Source: USAID.

NOTES

1. See, Sewell and Contee "Foreign Aid and Gramm-Rudmann", *Foreign Affairs* (Summer 1987).
2. The Government Performance and Results Act and the National Performance Review are meant to be complementary and reinforcing, and to help managers to integrate other federal reform legislation such as the Federal Managers' Financial Integrity Act of 1982 and the Chief Financial Officers Act of 1990, which respectively strengthen internal controls and improve accounting systems. See US General Accounting Office, "Status of Agency Reinvention Lab Efforts", GAO/GGD-96-69, March 1996.
3. "The New Partnerships Initiative: A Strategic Approach to Development Partnering – NPI Resource Guide", January 1997. This document is available on the USAID home page: http://www.info.usaid.gov/pubs/npi/npiresrc.htm.
4. See USAID Working Paper No. 221, "Endowments as a Tool for Sustainable Development", Center for Development Information and Evaluation, USAID (July 1996).
5. Foreign Assistance – Private Voluntary Organisations' Contributions and Limitations (GAO/NSIAD 96 – 34 December 1995).
6. Preventive Diplomacy; Revitalising AID and Foreign Assistance for the Post-Cold War Era – Report of the Task Force to Reform AID and the International Affairs Budget – September 1993.
7. "US Interests in Economic Growth, Trade and Stability in the Developing World", Commission on International Trade, Development and Cooperation, February 1997.
8. (US ITC publication 3024, April 1997).
9. (US ITC publication 3056, February 1997).
10. (WTO, US TPRM, 1997, http://www.wto.org.//reviews/tprb4g.htm, pg 5).
11. (BICO Search, http://www.fas.usda.gov/scriptsw/bico/bico).
12. (WTO, US TPRM, 1997).
13. (http://www.ustr.gov/reports/gsp).
14. The World Bank, International Economics Department, International Trade Division, Publication No 1586, March 1996.
15. (USITC, *The Year in Trade*, publication 3024, April 1997).
16. (ITC, *Providing additional GSP benefits*, USITC pub. 3023, February 1997).
17. (Second report to Congress on the operations of the Caribbean Basin Economic Recovery Act, http://www.ustr.gov/reports/cbera).
18. (OECD, *Market Access for the Least Developed Countries: What are the Obstacles?,* 1997).
19. (Report to Congress on the Operation of the ADEAN trade preferences).
20. (USITC, *The Year in Trade*, publication 3024, April 1997).
21. (http://www.ustr home page).
22. OECD, Export Credit Financing Systems in OECD Member and non-Member countries, 1995).
23. (http://www.mfo.usaid.gov/euomi/growth/strategy.htm).
24. Since this study was done, USAID has adopted a Strategic Plan (Sept. 1997) which includes the goal: "The world's environment protected for long-term sustainability."

PRESS RELEASE OF DAC PEER REVIEW OF THE UNITED STATES

After a period in which support declined and consensus weakened, the United States has in recent years seized opportunities to strengthen both political and public confidence in its foreign assistance programmes. An ambitious campaign for change has worked to link aid management reform to the establishment of clearer goals and stronger partnerships, as well as helping build developing-country capacity. At the policy level, the US has given special attention to strengthening developing countries' participation in the world economy, and to gender equity issues and the empowerment of women. After serious international concern over recent years about a general trend of diminishing ODA funding and staff resources in the United States' programme, there are welcome first indications of strengthening budgets for aid to developing countries. This was confirmed by President Clinton's recent commitment to seek to increase the budget for African aid to its historically high levels.

At the peer review of the United States' aid policies and programmes, held on 6 April 1998, the Development Assistance Committee (DAC) welcomed the measures that have been taken and looked forward to the full impact of the reforms and initiatives that have been launched. The United States Delegation was led by Mr. J. Brian Atwood, Administrator, United States Agency for International Development (USAID). The Examiners were Denmark and Germany. The Chair of the DAC, Mr. James Michel, summarised the following points that emerged from the review.

- The USAID's new Strategic Plan, issued in September 1997, aims at clear results through its support of developing and transitional countries' efforts to achieve sustained economic and social progress and to share more fully in resolving global problems. Performance indicators – to measure the achievement of goals and objectives – offer the prospect of better explaining the US foreign assistance programme and its value and impact to the US Congress and the public. The Strategic Plan follows the broad lines of the Partnerships Strategy endorsed by DAC Members in 1996. Because it calls for a ten-year horizon, the US Strategic Plan could generate milestone indicators that would show progress toward longer-term goals set out in the DAC report, *Shaping the 21st Century*.
- USAID, managing three-fourths of the United States' bilateral foreign assistance programmes – with the remainder being managed largely by the State Department – has adopted a New Partnerships Initiative (NPI) designed to improve working methods in the field by encouraging strategic partnering for collective problem-solving at the community level. Private Voluntary Organisations/Non-Governmental Organisations (PVOs/NGOs) represent a strong element in this partnership work. From a comparative perspective, the Committee discussed the challenge involved in relying so extensively on independent development organisations to design and deliver their programmes, while maintaining the focus of the Strategy and developing country ownership.
- DAC Members agree that the volume of aid resources remains vital for effective support of development, especially in poor countries which have a high incidence of poverty and lack access to other resources. The Committee noted that the overall trend of the United States' performance has been downward over the last decade, in both total volume and as a share of GNP. At the same time the US public does not realise that the United States has by far the lowest level of effort among DAC Member countries, as shown by its ODA/GNP ratio which was 0.12 per cent in 1996. Each citizen in the four highest performing DAC countries contributed about $260 for development co-operation in 1995/96, while each US citizen contributed $31. The average for citizens in all DAC Member countries for ODA per capita was $71, over twice what each US citizen contributes. The Committee suggested that the US programme, even more than others, needs fresh and effective ways of informing the American public

on the performance and potential of its impressive foreign assistance and humanitarian programmes, and how they serve the interests and values of the United States. An innovative activity has been the USAID programme to bring home "Lessons without Borders" from experience overseas to development problems within the United States, and the Committee was interested in plans to launch a youth-involvement scheme – "Operation Day's Work" – inspired by Scandinavian examples.

- USAID has carried out reforms aimed at streamlining the agency's organisation and empowering its staff, re-designing and simplifying its procedures, and establishing a new, world-wide information system, (which is still not completed because of installation problems). It has cut back total agency staff and reduced the number of overseas missions and overseas staff. The DAC expressed concern that the cut-backs in overseas presence, by reducing an experienced, strong field staff – and reducing the breadth of the United States programme, relative to its global capabilities – would diminish two of USAID's most prized assets. These cutbacks, together with a declining volume of aid resources, risk diminishing the capacity of the United States to contribute to the advancement of internationally-agreed development goals.

- The Committee was especially interested in the work of USAID in the areas of democracy, participation, governance, conflict and disaster response, as well as the Transition Initiative, set up to help the United States respond to the needs falling between relief and development. Comparatively, USAID is already a strong performer in integrating gender equality concerns into its work. The Committee looked forward to USAID's sharing its analyses and the lessons learned in promoting gender equality, particularly in relation to the DAC benchmark goal that calls for ending inequality in education by the year 2005.

- In the multilateral system, the United States exercises its influence not only through its large financial contributions but also through its inputs in terms of policy and substance. The US has accumulated substantial arrears both to the United Nations (UN) system and, until recent important progress was made, to the multilateral concessional financing facilities. The Committee noted that constructive US leverage in its push to reform multilateral assistance programmes would be enhanced by the capacity to deliver on its international financial commitments.

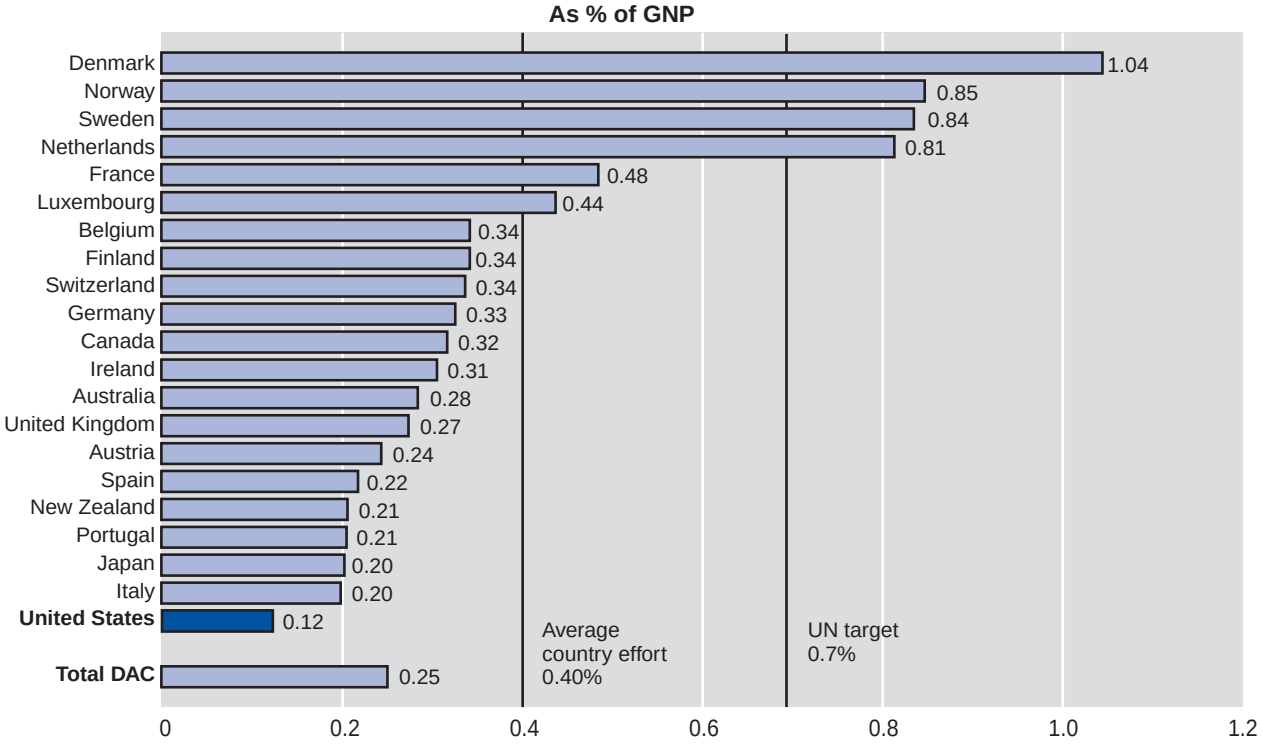
- The relative importance of the United States pursuing pro-development policies beyond the field of aid, for example through trade policy, is heightened by the international economic weight of the US, together with fact that the size of the American aid effort is proportionally smaller than that of other DAC Members. Through integrating strategic plans, and foreign policy responses to transition situations, the United States can point to a number of major fields where the integration of the long-term development perspective in its policy approaches has been getting stronger. Several options to improve policy coherence were discussed.

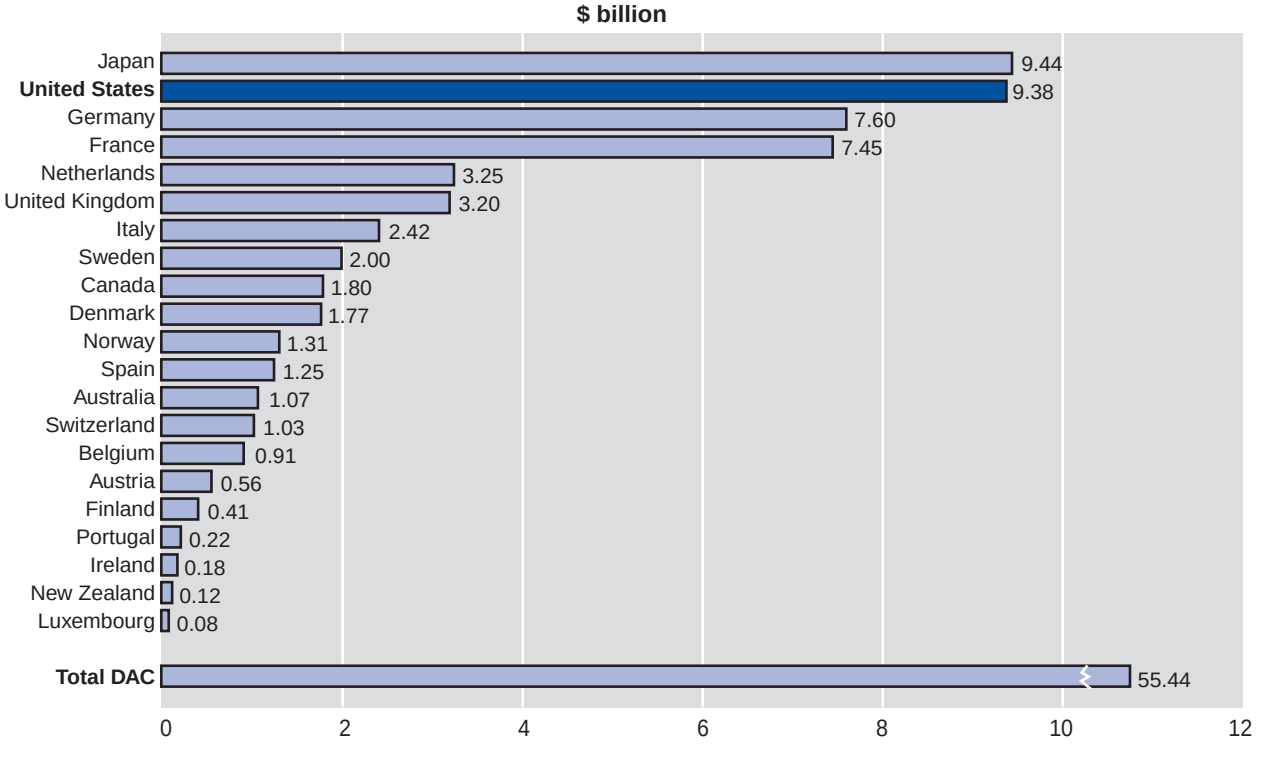
United States: Comparative aid performance

	ODA net disbursements 1996		Average anual growth in real terms (%) 1985/86-1995/96	Grant element of ODA commitments (%) 1996[a]	Aid appropriations as a share of central government budget (%) 1996	Share of multilateral aid 1996				ODA to LLDCs Bilateral and imputed multilateral 1996	
						% of ODA		% of GNP			
	$ million	% of GNP				excl. EC	incl. EC	excl. EC	incl. EC	% of ODA	% of GNP
Australia	1 074	0.28	–0.6	100.0	1.2	20.7	0.06	20.4	0.06		
Austria	557	0.24	2.1	97.5	. .	9.1	26.0	0.02	0.06	13.8	0.03
Belgium	913	0.34	–1.4	99.1	. .	21.5	42.0	0.07	0.14	24.1	0.08
Canada	1 795	0.32	–1.2	100.0	1.4	24.5	0.08	19.0	0.06		
Denmark	1 772	1.04	3.7	94.1	2.7	35.6	40.3	0.37	0.42	31.5	0.33
Finland	408	0.34	–1.5	97.3	1.0	35.6	47.4	0.12	0.16	28.8	0.10
France	7 451	0.48	0.8	92.3	. .	11.4	22.8	0.06	0.11	19.0	0.09
Germany	7 601	0.33	0.1	91.7	. .	22.5	40.3	0.07	0.13	22.3	0.07
Ireland	179	0.31	7.0	100.0	. .	13.4	36.2	0.04	0.11	42.4	0.13
Italy	2 416	0.20	–4.3	99.5	. .	43.6	66.4	0.09	0.13	24.5	0.05
Japan	9 439	0.20	1.6	78.2	. .	13.1	0.03	15.0	0.03		
Luxembourg	82	0.44	11.3	100.0	. .	14.1	31.2	0.06	0.14	26.8	0.12
Netherlands	3 246	0.81	1.2	100.0	3.6	22.4	29.9	0.18	0.24	27.7	0.23
New Zealand	122	0.21	–0.5	100.0	0.6	16.2	0.03	21.2	0.04		
Norway	1 311	0.85	1.0	99.3	1.8	28.0	0.24	38.7	0.33		
Portugal	218	0.21	18.7	100.0	. .	3.5	27.9	0.01	0.06	67.8	0.14
Spain	1 251	0.22	12.3	89.6	1.0	7.6	29.1	0.02	0.06	11.3	0.02
Sweden	1 999	0.84	0.5	100.0	. .	24.9	30.2	0.21	0.25	28.7	0.24
Switzerland	1 026	0.34	2.4	100.0	2.8	29.6	0.10	29.6	0.10		
United Kingdom	3 199	0.27	1.0	96.4	1.1	21.9	44.0	0.06	0.12	25.3	0.07
United States	**9 377**	**0.12**	**–4.1**	**99.6**	**. .**	**26.2**	**0.03**	**13.4**	**0.02**		
Total DAC	55 438	0.25	–0.1	91.8	. .	21.2	29.5	0.05	0.07	20.6	0.05
Memo.: Average country effort		0.40									

Note: . . Indicates that data are not available.
a) Excluding debt reorganisation.
Source: OECD.

Net ODA from DAC countries in 1996





Source: OECD.

DESCRIPTION OF KEY TERMS

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information. Full definitions of these and other related terms can be found in the "Glossary of Key Terms and Concepts" published in the DAC's annual Development Co-operation Report.

ASSOCIATED FINANCING: The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with any other funding to form finance packages.

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its Members are given at the front of this volume.

DAC LIST OF AID RECIPIENTS: A two-part List of Aid Recipients was introduced by the DAC with effect from 1 January 1994. Part I of the List is presented in the following categories (the word "countries" includes territories):

LLDCs: Least Developed Countries. Group established by the United Nations. To be classified as an LLDC, countries must fall below thresholds established for income, economic diversification and social development.

Other LICs: Other Low-Income Countries. Includes all non-LLDC countries with per capita GNP less than $765 in 1995 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.*with GNP per capita (World Bank Atlas basis) between $766 and $3 035 in 1995.

UMICs: Upper Middle-Income Countries, *i.e.*with GNP per capita (World Bank Atlas basis) between $3 036 and $9 385 in 1995.

HICs: High-Income Countries, *i.e.* with GNP per capita (World Bank Atlas basis) more than $9 385 in 1995.

Part II of the List comprises "Countries in Transition". These comprise: *i)* more advanced Central and Eastern European Countries and the New Independent States of the former Soviet Union; and *ii)* more advanced developing countries.

DEBT REORGANISATION: Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, rescheduling or refinancing.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. They may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (less any repayments of LOAN principal during the same period).

EXPORT CREDITS: LOANS for the purpose of trade and which are not represented by a negotiable financial instrument. Frequently these LOANS bear interest at a rate subsidised by the government of the creditor country as a means of promoting exports.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the **financial terms** of a transaction: interest rate, maturity and grace period (*i.e.* the interval to the first repayment of principal). The grant element is nil for a LOAN carrying an interest rate of 10 per cent; it is 100 per cent for a GRANT; and it lies between these two limits for a soft LOAN.

LOANS: Transfers for which repayment is required. Data on **net loans** include deductions for repayments of principal (but not payment of interest) on earlier loans.

OFFICIAL AID: Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC LIST OF AID RECIPIENTS.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): GRANTS or LOANS to countries and territories on Part I of the DAC LIST OF AID RECIPIENTS (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are at concessional financial terms (if a LOAN, having a GRANT ELEMENT of at least 25 per cent).

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC LIST OF AID RECIPIENTS which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE or OFFICIAL AID.

PARTIALLY UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all aid recipient countries.

PRIVATE NON-CONCESSIONAL FLOWS: Consist of the following flows at market terms financed out of private sector resources:

Direct investment: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC LIST OF AID RECIPIENTS.

Bilateral portfolio investment: Includes bank lending, and the purchase of shares, bonds and real estate.

Multilateral portfolio investment: This covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.

Private export credits: See EXPORT CREDITS.

TECHNICAL CO-OPERATION: Includes both *i)* GRANTS to nationals of aid recipient countries receiving education or training at home or abroad, and *ii)* payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

TIED AID: Official GRANTS or LOANS where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipients.

UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services may be fully and freely procured in substantially all countries.

VOLUME: Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. To give a truer idea of the volume of flows over time, some data are presented in **constant prices and exchange rates**, with a reference year specified. This means that adjustment has been made to cover both inflation between the year in question and the reference year, and changes in the exchange rate between the currency concerned and the United States dollar over the same period.

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(43 98 12 1 P) ISBN 92-64-16125-2 – No. 50261 1998