



HIGHLIGHTS OF USAID WORKSHOP:
PROMOTING ECONOMIC GROWTH IN A NEW ERA
JUNE 28 – JULY 2 2004

**New USAID Strategies:
Dealing with Fragile States and the Agency's Anti-Corruption Strategy**

The purpose of this session was to introduce new Agency strategies that aim to address two central impediments to economic growth and global security in the countries in which USAID works: (i) corruption and (ii) fragile states. The draft strategies, which discuss these issues in greater detail, should be circulated publicly during summer 2004.

First, Mike Crosswell, Senior Economist for USAID's Bureau of Policy and Program Coordination (PPC), provided a brief synopsis of the Agency's recently published "White Paper", *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century*.¹ The White Paper was written to better address the challenges raised in the "development" component of the U.S. Government's National Security Strategy, and to go deeper into the strategies and results frameworks first laid out in one of USAID's other key documents, *Foreign Aid in the National Interest*.² The Paper clarifies and distinguishes among the goals foreign aid is supposed to achieve, and attempts to align resources with those goals. It outlines the Agency's core operational goals as follows: (i) Promoting transformational development; (ii) strengthening fragile states; (iii) supporting strategic states; (iv) providing humanitarian relief; and (v) addressing global and transnational issues and other special concerns (e.g., HIV/AIDS). In working towards these goals, it is important to preserve separate resources for separate goals, adopt separate approaches for separate goals, use separate yardsticks for measuring results, and apply country-based programming where it makes sense, but centralized programming for certain issues where this course makes more sense. However, critical challenges lie ahead in aligning USAID resources against the operation goals, in properly "grading" policy performance, and in distinguishing between "transformative", "fragile" and "strategic" states and devising the best strategies for each of them.

Melissa Brown, Senior Policy Advisor for Democracy and Governance (PPC), outlined a new analytical framework for identifying underlying causes of state failure and recommended approaches to arresting negative trends and support lasting recovery. By looking at fragility through the lenses of *effectiveness* and *legitimacy*, we can better measure the degree of vulnerability of a country in terms of the political, economic, social, and security landscape within that country's borders. Identifying early on the roots of instability – such as escalating ethnic/religious conflict, regional/guerilla insurgency, widespread corruption, or external shocks – allows us to frame responses that restore stability, save lives, and get local people engaged in the recovery process. Operationally, USAID needs to improve monitoring and develop shared response strategies to deploy the broadest range of resources to vulnerable areas, including coordination with other donors, and it needs to test new business models that incentivize and reward more aggressive responses in the field.

¹ The White Paper can be downloaded at <http://www.usaid.gov/policy/pdabz3221.pdf>.

² This report can be downloaded at <http://www.usaid.gov/fani/>.

Neil Levine, head of the Governance Division in USAID's Democracy, Conflict and Humanitarian Assistance Bureau (DCHA), presented findings on the Agency's current anti-corruption efforts, including the results of a recent field mission survey, and offered recommendations on how to advance the Agency's efforts to combat corruption. Experience tells us that without the political will or the institutional capacity to reform, and without local ownership, anti-corruption programs will generally be ineffective. While there are no "silver bullets" for fighting corruption, USAID should take certain measures to improve its ability to provide effective anti-corruption programming, including: (i) Targeting elite-level, or "grand", corruption to stem the misallocation of vast economic resources; (ii) deploying Agency resources more strategically and capitalizing on political economy elements that provide a window for anti-corruption interventions; (iii) mainstreaming anti-corruption throughout USAID programs, not just as an add-on; and (iv) improving knowledge retention and management so that we can learn and borrow from collective experiences.

During Q&A, Workshop participants pointed to the challenge of knowing how to respond effectively in the fragile state context; to the debate concerning autocracy vs. democracy as the key to promoting stability; to the difficulties in distinguishing between "elite" and broader administrative corruption; to the absence of discussion on institutional arrangements against corruption in the Agency's strategy; and to the challenge of changing the values that drive corrupt behavior in developing and transition countries..