



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

USAID Priorities, Including for Economic Growth
USAID Counselor Carol Peasley

The purpose of this session was to summarize the Agency's current strategic goals in view of important changes that have gripped the global economy since USAID last convened an Economic Growth officers' conference in 1997.

USAID Counselor Carol Peasley highlighted two key challenges that have come to the fore in recent years: (i) weak states as a threat to global security; and (ii) an increasingly globalized world economy. The State-USAID Joint Strategic Plan, the White Paper, and other key Agency documents underscore USAID's commitment to addressing these challenges head on.

With development on the front-burner of U.S. foreign policy, we are beginning to recognize that foreign investment and FDI flows dwarf development assistance. In this environment we need to think more strategically about how to make these investment resources support economic and human development. USAID's core role in this "partnership" is to help ensure that private sector-led growth happens in an environment of strong governance.

With respect to the Millennium Development Goals, Peasley pointed out that progress has been mixed, particularly on the goal of reducing poverty. That many countries have yet to benefit from freer trade and investment might be attributed to the fact that they don't really operate in the global market yet. Trade capacity building is a critical strategy that USAID is pioneering on many levels—supporting developing countries in trade negotiations, implementing trade agreements, responding to new market opportunities resulting from trade liberalization, and transitioning to a freer trade environment.

With respect to microeconomic constraints to private sector development, USAID has put considerable resources into the development of "Investor Roadmaps", and is now entering into a strategic alliance with the World Bank's *Doing Business* Project to produce an expanded survey of business environment indicators to encompass many more of the countries with which USAID works worldwide. Meanwhile, the Agency is investing resources in building "competitiveness" and supporting cluster development to enhance partner countries' ability to capitalize on their comparative strengths.

During Q&A, with reference to the resources USAID is investing in its strategic priorities, one Workshop participant pointed to the paucity of technically-trained direct-hire economists inside the Agency, and to the lack of mid-level opportunities for the existing economists. Another participant applauded the White Paper's call for a commitment of separate approaches and separate resources for separate goals and functions. Another still questioned the methodology for qualifying MCA-eligible countries, which include many countries whose policy environment is only marginally better than non-qualifying countries, and emphasized the need for the Agency to continue to support policy reform in those countries if for no other reason than to keep them as

“qualifying”. Other Workshop participants commented on the problem of applying *Doing Business*-type indicators, which focus on the formal sector, to countries with which USAID frequently works in which as much as 50 to 60 percent of economic activity is informal; and on the multiplicity of U.S. Government agencies now engaged in development assistance.