US CONCEPT PAPER FOR DISCUSSION:
AN IMMEDIATE STEP TO IMPROVE AID EFFECTIVENESS ON DEVELOPING COUNTRY REQUESTS FOR ASSISTANCE IN ADDRESSING THE FINANCIAL CRISIS

DAC Senior Level Meeting 9 (p.m.) - 10 (a.m.) December 2008

The attached concept paper by the United States is circulated for illustrative discussion purposes only, as a follow-up to the oral presentation by Ms. Karen Turner, Director, USAID, at the lunch discussion on 9 December 2008.
Challenge: The on-going financial crisis has created serious and unanticipated stresses on developing country economies, further compounding the impact of recent price instability in food and energy markets. Development gains made over the past decade are at risk.

In these extraordinary times of uncertainty and high instability, the donor community should improve its responsiveness to requests for assistance and ensure that all responses are managed in a coordinated manner that reduces the confusion, overlap, redundancy, time, and costs.

Concrete steps by the donor community that operationalize the aid effectiveness objectives and principles of the Paris Declaration and the Accra Agenda for Action are needed.

Concept: The proposal for discussion has three components:

- Share information on one another’s respective authorities and instruments (ODA, trade, and investment) that could be used to response to a request;

- Identify points of contact for each donor who will quickly coordinate within its respective government and with other donors; and

- Rapidly field multi-donor teams to work with countries requesting assistance in assessing options among relevant donor instruments and authorities.

Applying the Concept: The following illustrates how the concept might be applied in the United States Government.

The standing U.S. Government (USG) interagency body coordinating on development would:

- Assemble information succinctly describing the available authorities and instruments, including those of relevant agencies supporting development, trade and overseas investment. Each Department and/or Agency provides the information in a standardized template.

- Stand up a small Core Team comprised of a representative from State, USAID, and Treasury which would operate as a part of the larger USG interagency body addressing the overall financial crisis;
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- This team would:

  - Transmit this list of authorities and instruments to US Embassies (and USAID Missions) using already established channels for communicating on the financial crisis;
  - Channel questions and requests for assistance to the appropriate department/agency within the USG;
  - Share the inventory, country requests, and proposals for new instruments with the other donor Points of Contact (POC), including multilateral donors such as the World Bank;
  - Serve as the POC within the USG to identify USG representatives to participate on donor teams that could rapidly respond to country requests, if appropriate, and or de-conflict with donors and the requesting country overlapping requests or instruments;
  - Keep the US interagency coordinating committee on development informed of requests for assistance and requirements for reprogramming assistance.

For example, developing country requests for assistance in credit financing or assistance on leveraging credit could be referred to USAID or TDA. Requests for short-term balance of payments support or additional debt relief would be referred to the IMF or the Paris Club since those multilateral mechanisms donors have established for those purposes (and it is the US Treasury who is lead the on these issues).

Finally, to anticipate which countries may face particular hardships, the USG is refining a “watch list” of countries, along with the “at risk” lists that are being assembled by others. This would enable USG departments and agencies to focus analytical efforts on identifying vulnerabilities and possible responses.

**Possible Next Steps:** If there is agreement to further develop this concept, several actions can be taken:

- Donors can identify Points of Contact to participate.

- Identified POCs can establish a means for sharing information on relevant authorities and instruments, and on “watch” or “at risk” countries. The POCs would responsible to creating agreement within their respective governments and/or organizations.

- POCs can recommend how to best communicate this effort to vulnerable country and, as appropriate, with G-20 members.

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