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DAC Peer Review of the United States

The United States regained its status in 2001 as the largest donor in the OECD's Development Assistance Committee (DAC) in terms of volume. Its net official development assistance (ODA) was USD 10.9 billion, about one-fifth of the DAC total. This represented 0.11% of its gross national income (GNI), leaving the United States with the lowest ODA/GNI ratio in the DAC. This does not include private grants which are estimated to significantly exceed ODA flows.

During this review of the development co-operation policies and programme of the United States, the DAC welcomed President Bush's proposal for a “Millennium Challenge Account” (MCA). This will contribute to global efforts to accelerate growth and reduce poverty in poor countries. The additional USD 5 billion in annual aid by 2006 will, if approved by Congress, consolidate America's position as the largest donor and slightly improve the country's ODA/GNI performance.

The important role the United States plays in development co-operation extends beyond its financial contribution. Its large economy and ability to influence world opinion offer the United States a unique opportunity to promote economic growth worldwide and reduce poverty in developing countries. The DAC encouraged the United States to capitalise on this to assume a leadership role in world development co-operation and to further enhance its own policy coherence for development.

The DAC Chairman, Mr. Jean-Claude Faure, summarised the committee's main recommendations to the United States:

- **Build a common development vision.** The responsibility for ODA is being handled by about 50 United States government entities. An overarching vision of US development co-operation is needed to manage such a diverse system although the new National Security Strategy represents movement in that direction. The United States Agency for International Development (USAID) is the primary aid agency, but is now responsible for just one-half of United States ODA (down from 64% in the 1998 Peer Review). There is a need for greater coherence between development and broader government policies (e.g. trade and agriculture). USAID could take on greater government-wide leadership in all areas of development co-operation, including the integration of development considerations in broader national policies.

- **Foster stronger international partnerships.** There is wide recognition that development assistance will only be effective if all development partners co-ordinate their efforts closely. The US has contributed to bringing about the Monterrey Consensus and the internationally agreed
development goals of the UN Millennium Declaration. The Millennium Challenge Account should be an opportunity to cement international partnerships with a common goal of poverty reduction. The DAC encouraged the United States to work collaboratively with the committee on results-based approaches to poverty reduction and good governance, including the new approach to the MCA, to ensure that there is consistency between American aid criteria and those being used by other donors. The DAC further noted the United States support for the harmonisation of donor procedures and encouraged the United States to continue to support the HIPC initiative.

- **Enhance public understanding of the long-term nature of development issues.** The American public supports the concept of foreign aid, but has an inflated notion of the size of the United States’ ODA effort. Allowing USAID to directly inform the public, combined with a cross-government information policy, would correct misperceptions and add to the growing public and political support for the important United States role in development co-operation.

- **Improve efficiency in aid delivery.** The DAC acknowledged the efforts being taken in USAID to enhance management credibility with Congress and the public by reforming its internal "business systems". The DAC encouraged USAID to pay special attention to pro-active human resource planning in order to redress the substantial loss of experienced staff over the last decade. A review of the longstanding practice by the Executive branch and Congress of making widespread use of "earmarks" to direct funding to predetermined areas such as child survival and microenterprise development could also reveal opportunities for reducing the extra costs and inefficiencies generated by this system. The DAC was supportive of US interest in a more systematic examination by the Committee of budget support, including the most effective circumstances for its use.

- **Increase aid volume.** In light of the massive challenge posed in achieving the development goals of the Millennium Declaration, implementing these recommendations will provide the United States with the scope for considering further increases in its official development assistance.

- **Further untie aid.** Tied aid generates American support for development assistance. Except for specific forms of aid to least developed countries, United States aid is generally tied to the procurement of goods and services purchased from the United States. The United States, far more than any other DAC member, sends food to developing countries. Transaction costs are expensive and can lead to inefficiencies in finding locally supported solutions in developing countries in non-emergency situations.

During the review on 22 October 2002, the United States delegation was led by Mr. Andrew Natsios, Administrator of the United States Agency for International Development. The examining countries were France and Sweden.

The DAC’s Main Findings and Recommendations for the review of the development co-operation policies and programme of the United States will be available in a couple of weeks on the OECD internet site at: www.oecd.org/dac.

For further information, journalists are invited to contact Helen Fisher, OECD Media Relations Division (tel. [33] 1 45 24 80 97 or Helen.Fisher@oecd.org).
United States' aid at a glance

### UNITED STATES

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<tbody>
<tr>
<td>Current (USD m)</td>
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<td>9,145</td>
<td>9,955</td>
<td>8.9%</td>
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<td>Constant (1999 USD m)</td>
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<td>9,145</td>
<td>9,756</td>
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<td>ODA/GNI</td>
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<td>Bilateral share</td>
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| Net Official Aid (OA)         |        |      |      |           |
| Current (USD m)               |        | 3,521| 2,506| -28.8%    |

### Top Ten Recipients of Gross ODA/OA (USD million)

1. Russia (OA) 1,154
2. Israel (OA) 967
3. Egypt 799
4. Ukraine (OA) 282
5. Indonesia 194
6. Jordan 179
7. Colombia 169
8. Bosnia and Herzegovina 152
9. India 148
10. Peru 136

### By Income Group (USD m)

- LDCs
- Other Low-Income
- Lower Middle-Income
- Upper Middle-Income
- High-Income
- Unallocated

### By Region (USD m)

- Sub-Saharan Africa
- South and Central Asia
- Other Asia and Oceania
- Middle East and North Africa
- Latin America and Caribbean
- Europe
- Unspecified

### By Sector

- Education, Health & Population
- Other Social Infrastructure
- Economic Infrastructure
- Production
- Multisector
- Programme Assistance
- Debt Relief
- Emergency Aid
- Unspecified

**Source:** OECD

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1. This chart presents 1999 and 2000 data because only preliminary summary data are currently available for 2001.
Net ODA from DAC countries in 2001 (Preliminary data)

Source: OECD.