

# INTRODUCTION

Since 1961, the U.S. Agency for International Development (USAID) has carried out America's economic and humanitarian assistance programs abroad. U.S. foreign assistance has always had the twofold purpose of furthering America's foreign policy interests in expanding democracy and free markets while improving the lives of citizens in the developing world. Spending less than one-half of 1 percent of the federal budget, USAID works to achieve five interrelated development objectives: promoting broad-based economic growth; advancing democracy; stabilizing population and protecting human health; protecting the environment; and saving lives and preventing disasters through humanitarian assistance.

During the Cold War, advocates and critics alike agreed that foreign assistance was often directed primarily to advance U.S. strategic interests in Africa, Latin America, the Middle East and Asia. Foreign assistance programs placed a high priority on offsetting Soviet influence in these regions. As a result, U.S. foreign assistance was — at times — directed to nations that failed to embrace basic democratic principles and sound economic policies.

The end of the Cold War brought a unique opportunity to redirect U.S. foreign assistance to better advance America's interests in a rapidly changing international environment.

## **Competing Successfully in the Global Economy**

Perhaps the most striking trend to emerge in the wake of the Cold War is America's role in an increasingly interconnected, and highly competitive, global economy. The emergence of new and expanding markets for the U.S.

economy and their strong potential for growth have made the economies of developing nations increasingly important to the United States.

Most of the growth in U.S. exports continues to come from countries in the developing world and countries in transition from state-dominated to free-market economies. Between 1990 and 1995, exports to developed countries — such as America's traditional trading partners in Western Europe — grew by only 5.7 percent. In contrast, in 1995 alone, U.S. exports to developing countries rose by 11.8 percent. Annual growth in such exports has averaged 12 percent over the last 10 years, with the yearly total almost tripling since 1985.

Between 1990 and 1995, American exports to transition and developing countries increased by \$98.7 billion. This growth supported roughly 1.9 million jobs in the United States, using the common multiplier of 20,000 jobs generated by each billion dollars worth of exports. Economic growth and development abroad directly benefit the U.S. economy in terms of trade. U.S. exports to the developing world rose to a record \$215 billion in 1994. Increased U.S. income and employment from export growth are tangible benefits of expanded trade.

USAID plays a critical role in helping to develop new markets for the United States, understanding well that poor people make poor customers and that bad policies and weak institutions make for a poor business climate. Foreign economic and humanitarian assistance programs in the developing world constitute a critical investment in the future of the American economy. USAID programs help increase standards of living, enabling nations to begin to afford greater quantity and quality of American goods and services.

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Foreign assistance also fosters an enabling environment for U.S. trade and investment in developing nations by helping secure open environments for trade. USAID programs are often instrumental in establishing fair business codes, viable commercial banks and reasonable tax and tariff standards. Foreign assistance helps create the stable and transparent business climates within which U.S. companies can operate successfully abroad. Programs in other key areas such as health, the environment and population help support the prospects for lasting economic growth and enable nations to become less dependent on aid.

### **A Changing Role and a Changed Agency**

In the wake of the Cold War, USAID has been called on to serve as a frontline agency in helping to secure a number of high priority political and economic transitions around the globe. In places such as Russia and the New Independent States of the former Soviet Union, South Africa, Haiti, the West Bank and Gaza, and Bosnia, USAID continues to play a vital role in assisting historic advances toward free and peaceful societies.

In addition to assisting nations as they make the transition away from closed economic and political systems, USAID has also responded to the ongoing exigencies of complex humanitarian crises in nations such as Rwanda, Bosnia, Liberia and northern Iraq. The proliferation of these complex crises has placed millions of civilians in conditions of dire humanitarian need and strained the international community's ability to respond to these urgent requirements. In addition to these high-profile activities, USAID continues to carry out equally important long-term development programs around the globe.

As the foreign policy concerns of the United States have evolved over the past decade, the role of USAID has become more focused. Three years ago, USAID became a reinvention laboratory under the National Performance Review, one of only two U.S. government agencies so named. As a reinvention laboratory, USAID focused on fewer, more attainable objectives; simplified the agency's organization and empowered its staff; and redesigned and simplified the ways it does business.

At the end of 1995, the agency had

- Defined a clear and understandable set of policies based on producing demonstrable results and accurately monitoring and evaluating all of USAID's development activities;
- Announced the close-out of 24 overseas missions over a three-year period;
- Reduced total staff by over 1,750 positions and permanently eliminated 70 senior positions;
- Combined administrative costs with other government agencies to achieve \$7 million in cost savings over five years;
- Reduced project design time by 75 percent;
- Cut regulations by 55 percent;
- Developed a new electronic acquisition and procurement planning system that replaced 65 different systems and eliminated tons of paperwork; and,
- Cut competitive contract award time by over 50 percent.

### **Delivering Assistance — The Agency's Strategy**

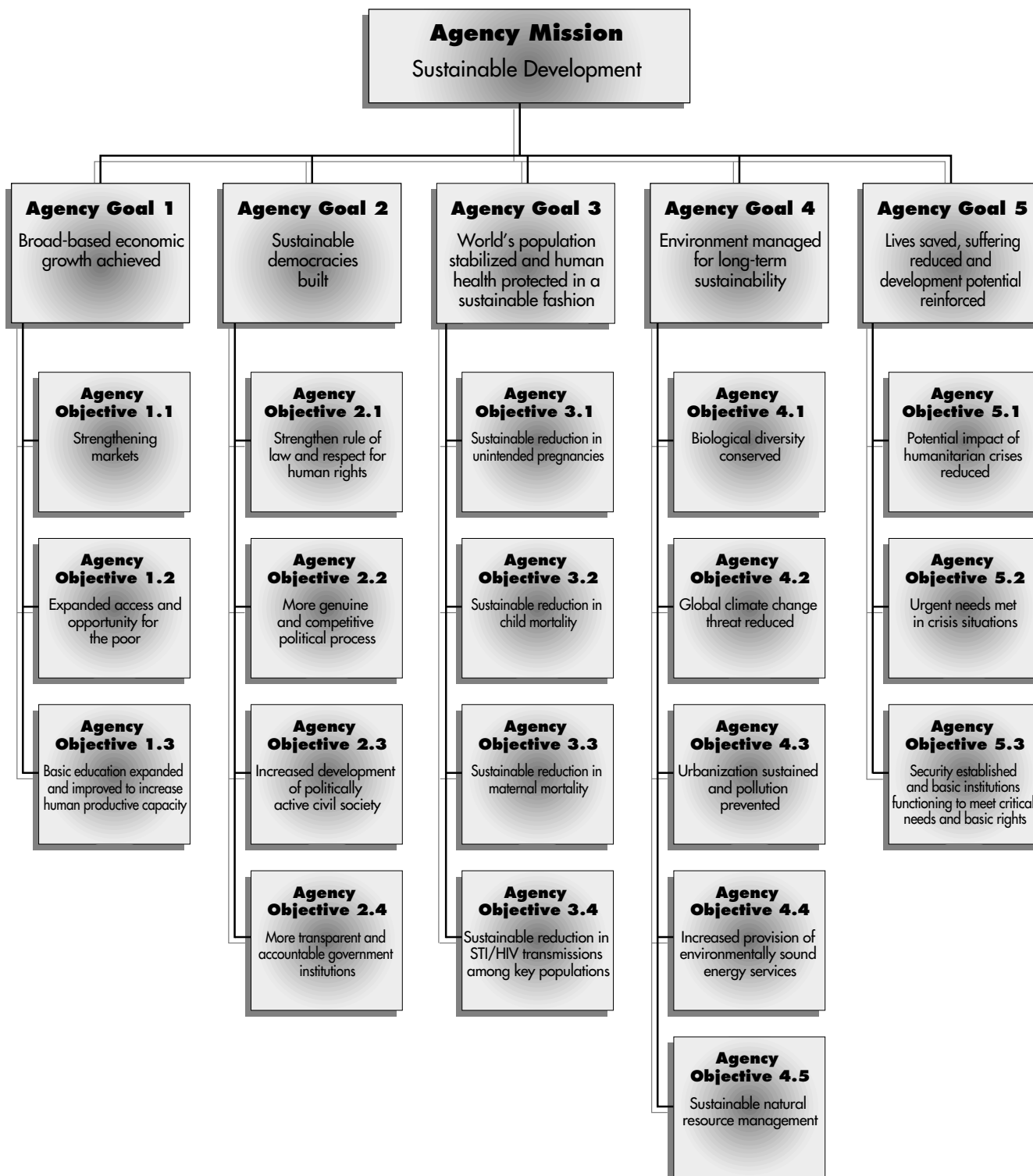
Under the leadership of the Clinton administration, USAID has honed its strategic approach to more closely reflect U.S. national interests. Gone are the days when foreign assistance will be offered to nations that fail to embrace the basic tenets of good governance and sound economic development. USAID considers the following national interests when identifying countries for foreign aid:

**Promoting U.S. economic security:** USAID programs create markets abroad for U.S. goods by fostering a sound policy and institutional environment and promoting lasting economic growth in developing countries.

**Enhancing prospects for peace and stability:** USAID programs in areas such as Central and Eastern Europe, the New Independent States, the Middle East and Central America are critical to reduce the potential for conflicts that would gravely threaten U.S. security.

**Preventing humanitarian and other complex crises:** In the last year, USAID has taken an

Figure 1  
**USAID Goals and Objectives**



## Lessons Without Borders

In 1994, USAID launched the *Lessons Without Borders* program to introduce techniques used overseas to help solve some of the social and economic problems that the United States faces at home. Baltimore, Boston and Seattle have hosted *Lessons Without Borders* programs. *Lessons Without Borders* brings home to American

communities some of the innovative techniques in health, economic development and the environment that have been discovered through foreign assistance programs. Nine Baltimore health care and economic development professionals traveled to Kenya and Jamaica to see USAID projects in action. USAID had helped Kenya

achieve an 80 percent immunization rate for 2-year-olds; Baltimore's immunization rate for 2-year-olds at the time was only 56 percent, and only 62 percent of Baltimore's school-age children had all their required immunizations. With strong support from Baltimore's mayor, and using techniques witnessed in USAID pro-

grams abroad, Baltimore launched a massive immunization campaign in 1995. Some 39,000 school-age children were either immunized or more complete records were collected for them. The bottom line: The rate of documented immunization in Baltimore is now 96 percent.

aggressive approach to prevent massive humanitarian crises before they occur, in an effort to stem the high financial and human cost of peacekeeping, refugee crises and emergency relief operations.

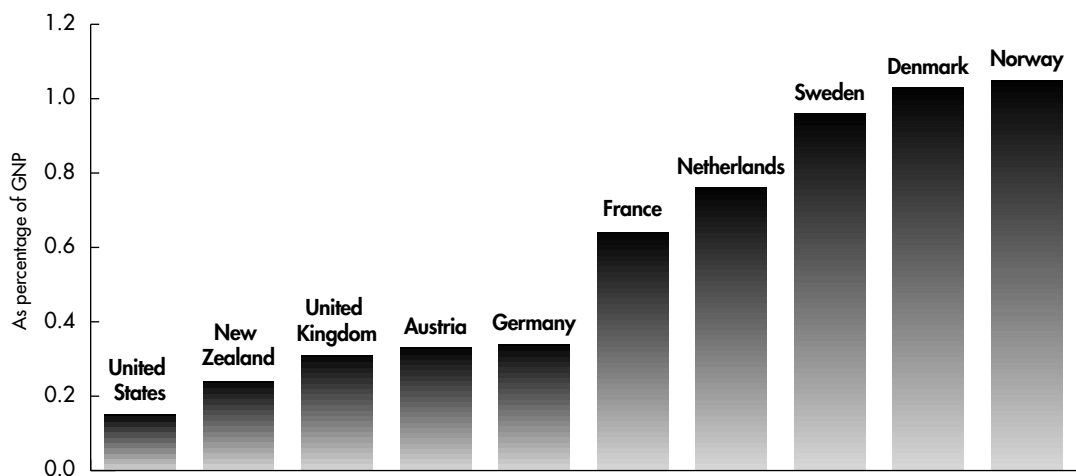
**Protecting the United States against specific global dangers:** USAID efforts beyond America's borders are increasingly important in protecting the United States from such clear threats as the spread of the Ebola virus, unchecked population growth and loss of biodiversity.

USAID has identified five goals that directly advance the national interests listed above and promote lasting economic and social development in nations receiving U.S. foreign assistance. The five agency goals are: promoting broad-based economic growth; advancing democracy; stabilizing population and protecting human health; encouraging sound environmental management; and responding effectively to humanitarian crises. Within these

five overarching goals, USAID has identified 19 agency objectives that contribute to achieving these goals. (See Figure 1.)

USAID's progress toward achieving these specific goals and objectives is outlined in this report. However, because of its brevity, it is impossible to offer a full and complete breakdown for every country receiving assistance and its progress or setbacks during the course of the last year. Instead, this report is designed to provide a broad overview of USAID activities and their impact. As with any endeavor, some activities were more successful than anticipated, and some programs did not achieve their desired results. But, because of USAID's increasingly effective use of performance measures and evaluation, the agency is now better able to correct or discontinue activities that are not achieving intended results. These performance measures also make it easier to identify and share those techniques and approaches that have proved particularly effective on a larger scale.

Figure 2  
**Foreign Aid as a Percentage of Gross National Product 1994**



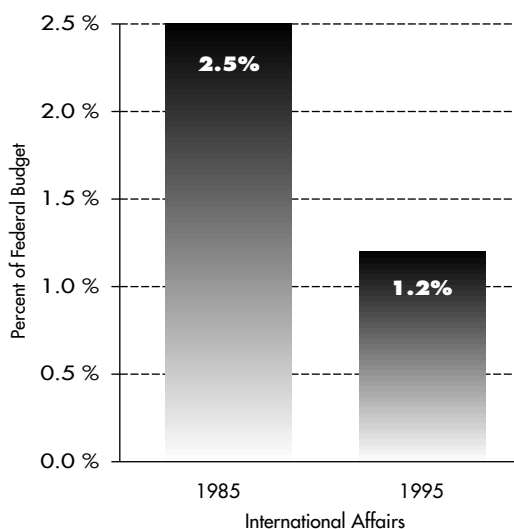
## Declining Resources

It is important to note that even though USAID has responded effectively to a wealth of challenges in the post-Cold War world and has made impressive strides in streamlining and reforming its management, it is carrying out its mission against a backdrop of sharply declining U.S. resources available for foreign assistance.

Since foreign assistance became a cornerstone of U.S. foreign policy after the end of World War II, the relative size of the U.S. assistance program, in real dollars, has declined steadily. In 1949, during the Marshall Plan, foreign aid represented 3 percent of U.S. gross national product (GNP). Now foreign assistance represents about 0.17 percent of U.S. GNP. The United States currently is the least generous of any major industrialized nation when foreign assistance is viewed in terms of its percentage of GNP. (See Figure 2.)

Japan has surpassed the United States as the largest donor of foreign assistance in actual dollar terms, and the United States currently contributes only about 17 percent of the worldwide total of foreign assistance. The United States and Australia are the only two nations among the 17 principal donors of foreign assistance whose constant dollar per capita foreign assistance contributions have declined since 1970.

Figure 3  
**50% Cut in International Affairs  
Share of Federal Budget  
From 1985 to 1995**



Since 1985, not only foreign assistance, but the total foreign affairs portion of the federal budget has declined dramatically in both real dollar terms and as a share of the federal budget. In 1985, total foreign affairs spending constituted 2.5 percent of the federal budget. By 1995, total foreign affairs spending had fallen to 1.2 percent of the federal budget. (See Figure 3.)

## Leadership and Cooperation in Foreign Aid

*Coordination and cooperation between international donors of foreign assistance become increasingly important as a growing number of nations engage in foreign assistance programs. Several important trends have emerged in international spending on foreign aid. The United States' relative share of the total of donor assistance levels has dropped sharply over time, and overall funding dedicated to foreign assistance has leveled off in recent years. Throughout the 1950s and 1960s, the United States accounted for more than 50 percent of all official development assistance. Today, U.S. foreign assistance accounts for only about 17 percent of total foreign assistance. (See Figure 4.)*

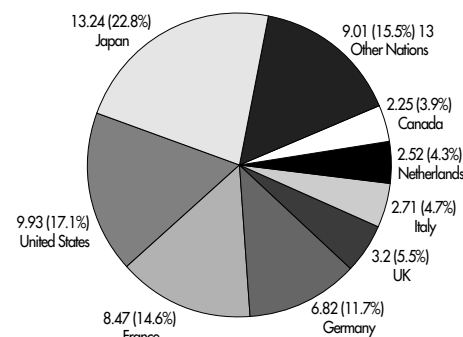
*These trends reflect both the United States' relative decline in spending on foreign assistance, and the economic prosperity of an increasing number of nations that has allowed them to become members of the donor community. Many of this new*

*generation of donors were helped by the United States to rebuild after the Second World War as part of the Marshall Plan.*

*Many of the successful programs cited in this report would not have been possible without the partnership and cooperation of other donors and organizations.*

*A good example of the considerable potential of donor coordination comes from the Vaccine Independence Initiative. The initiative created a fund for countries to buy vaccines, while providing technical support to help them forecast their vaccination needs. USAID's initial \$1 million grant to UNICEF in 1992 has been augmented by more than \$4 million in contributions from the governments of Australia, Japan, the Netherlands, New Zealand, Norway and the United Kingdom. UNICEF added \$4.3 million to the initiative from its general fund.*

Figure 4  
**Foreign Assistance  
By Donor Country 1994**  
Billions of Dollars



Total Donor Assistance in 1994 was \$59.15 Billion  
U.S. Foreign Assistance was 17.1% of This Total