

**USAID ECONOMIC GROWTH OFFICERS WORKSHOP
OCTOBER 15-19, 2007
WASHINGTON, D.C.**

Session Title: The USAID Budget Process and Economic Growth

Date and Time: Thursday, October 18, 2007

Type of Session: Plenary

Speaker(s): Dirk Djikerman, COO, Office of the Director for U.S. Foreign Assistance

Moderator: John Ellis

Overview of Session:

This was a spirited session with Dirk Djikerman, the COO of the Office of the Director of US Foreign Assistance.

He issued a challenge to the USAID economic growth office: reach agreement on the Economic Growth Strategy. He is ready to help defend it, but there needs to be better consensus within the Office of Economic Growth if there is going to be a clear message delivered to OMB and Congress.

Speaker's Remarks:



Dirk Djikerman addresses workshop attendees.
Photo by Paul Goodman.

Mr. Djikerman came to speak about the budget process: how things are happening and fitting together or not. How does the topic of economic growth fit into the budget process?

He lauded the efforts of Steve Hadley, who has worked on behalf of USAID through this process. Others that have helped: Mike Crosswell, John Ellis, and Don Sillers.

Rice, Gates, and Cheney constitute the principal board. The DCC, Deputies Committee Meeting, includes deputies (Negroponte, etc.). The Policy

Coordination Committee (PCC) includes under-secretaries, assistant secretaries, office directors, etc. working together to put together a development agenda. This has been managed by the Economic Bureau at the State Department.

The piece missing has been having a full and present body of people to bring the resource issue to the table. Now, we are including the full gamut of what we need to do development. This is the first time that the Economic Growth sector (MCC, USTR, USAID, etc.) has a place to talk about what we need to do to push development forward.

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Economic growth issues tend to dominate the work of this group – having the USAID and State resource people and development practitioners at the meeting is a change. This should give us a better ability to deal with economic growth issues than in the past.

In recent discussions with OMB, it has come up: we have an MCC program in Ghana, and EG and DG programs – why put other money in there? The short answer is because overall assistance is going up. When we pushed back with OMB, the response came back from MCC and USAID saying that these programs are integral to one another. MCC is very narrow – it gives us depth; the rest of program gives breadth. At the OMB briefing, we all spoke about how the whole picture will work together. We are trying to get them to sit back and think about the complexities.

We certainly need more Contracting officers. We also need more technical staff. The Secretary of State stood up and said: “we need more resources.” Part of that is identifying the right number of staff. On the diplomacy side, we need 1000 more people. On the foreign assistance side, we need 1000 more people. That package will be able to begin to redress the imbalance we have between diplomacy, defense, and development. The decider is going to try to put out a fairly tight budget. The Secretary of State is intimately involved – she will be fighting for human resources that both State and USAID need to get the job done.

We had our people presenting directly to Cheney, the President and Portman. Secretary Rice was there; but the USAID role was right there, front and center, presenting the package.

We now have a unitary budget: State and USAID. We now have a review process of what we do in each country through all spigots. We know, for example, that we need to beef up issues surrounding enabling environment.

Your colleagues are reviewing what you are sending: what you want to do with the money, where we can make tough choices.

In this year’s budget: we had to develop the “development gap”. We argued that there is much stove-piping happening. We need to rebalance programs so the pieces fit together. If we pump \$500 million into Tanzania’s health sector, what are we doing about government financing to pay for that into the future? They cannot pay without achieving economic growth.

We do not have a clear, prioritized foreign assistance strategy. All we have had is a series of decisions.

Mike Crosswell and others worked on an international development strategy. You could call it a National Development Strategy. We say this is a companion strategy to the National Defense Strategy. The DACHA office and Defense test-drove it. It is not a final product, but the AID cabinet has agreed we should keep working on it. We get our guidance from the national security strategy, the national defense strategy, the national military strategy.

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Some may ask whether now, in the waning days of the administration, we can get much done. The GDA program is an example of something we worked on in the waning days of the Clinton administration. Good managers from the new administration will then come in and say, “what are you doing well?” Doing this type of work now means that we will have a receptive audience when there is a change in administration.

Key Points Discussed During Question & Answer Segment:

Q: When will the Director of Foreign Assistance bring MCC into the unitary budget process – to include them in the discussion? MCC has \$4.6 billion. \$110 million is cash out the door. Disbursement rate is really lagging. Henrietta’s response was: “how can USAID help MCC improve implementation of its compact?”

A: Compared to 2 or 3 years ago, the quality of interaction between MCC and USAID has significantly improved, on compacts and Threshold Country Plans. As we look at bringing the MCC in: 1) legislative realities – you do not need to bring them into the tight way we are managing foreign assistance; what you need to do is make sure what MCC is doing is fully on the table as they make decisions; MCC needs to focus on making sure the compact is owned by the host country. Down the road, we may be able to modify the current budget database to include a column for “MCC resources”, to clearly link MCC resources to USAID programming. In the meantime, field offices should indicate how USAID programming wraps around MCC programs.

In Madagascar – MCC fully understands that the AID program there is the base upon which their MCC program is made. If our program collapses, their program dies too.

Right now, State and AID only capture about 60% of what is going to a country. We are trying to improve this. We are moving in that direction, but we do not need to press any harder or faster than we are now.

Q: What is being done to help us synthesize across the hierarchy?

A: As we put together strategic plans, we need to keep in mind that hierarchy is a tool not a concrete jacket.

Moderator: The framework is a way of accounting for what we are doing. It is not a strategy. So there has to be strategic thinking on how to program within the framework. We have been thinking about developing formal country strategies. OMB has been asking about the root causes of poverty and famine – are we addressing those? These are all of our issues – EG, DG, etc. We need to put the strategy on top of the framework, and look at things more broadly.

Q: What is the strategy for communicating to OMB/Congress? Outreach strategy?

A: Strength of our outreach is how many bodies we have to do it. Having all of those agencies combined to approach OMB is emblematic. We have strengthened coordination with DoD. We will work together to make joint presentations on those security issues.

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Two years ago, the entire USAID budget was discussed in 2 hours. Now, the AID budget is discussed in every meeting on every region. USAID is now at the table, in the form of Henrietta Fore. Those issues are now much more on the table than they were in the past. We are directly engaged in presenting technical arguments to the budget people at a fairly high level. This involves you, because F depends on input. We are talking to OMB about how USAID relates to MCC.

Q: There are 2 sandboxes – one we seem to be doing well. The other (the Capitol Hill), we are not addressing. The overlap seems to be in poverty reduction / microfinance areas. How do we communicate that EG is important to those constituencies?

A: It is harder than hell. This is a perpetual challenge that this sector has faced. Most people that deal with the Hill deal on a functional basis: unit of analysis is “Save the Children”...let’s push this particular functional issue. The Hill has an orientation towards their clients.

We are doing monthly briefings with Interaction, etc. But we need to do things like, find ways to communicate the cost of supplying one full office v. buying a bomber.

Q: We are economists. We are the ones that came up with rent seeking. We need to dialogue with professional services; bring partners in! Talk to DAI’s CEO for example; get contractors involved.

A: The EG strategy has the potential of crashing on the rocks before it gets out the door. Yes, we can do all of those things. But first, we need to agree on priorities! If we cannot do it in house, we cannot do anything. The other sectors are doing a better job – they are whipping our pants.

Be flexible; do not feel constrained by the Framework. If you have started to do an enabling environment program with fiscal reform, but you decide that you really need to focus in on the VAT – if you can move the money, do it. If you are getting an earmark, we need to know about it; but you have some flexibility. If you need to move between program elements, do it...but just ask us first. We approve 90% of what we receive of these requests. But they need to present a picture that indicates they know what they are doing. We are not going to micromanage what you are doing, but we need to know about it, because we report to Congress. You can reprogram. We just have a slightly tighter system now that says you need to get approval.