

# THE SHAPE OF U.S. GLOBAL DEVELOPMENT REFORMS

NOAM UNGER

FELLOW AND POLICY DIRECTOR  
FOREIGN ASSISTANCE REFORM PROJECT  
GLOBAL ECONOMY AND DEVELOPMENT  
BROOKINGS

## Executive Summary

Partway into reforms of the United States' global development policy and operations, leaders in the administration, Congress and the broader development community must reflect on the changes made thus far, and must do so in the current political and budgetary context. This policy brief highlights those reforms that are under way, those that are not and those that are still missing from the agenda, and it offers specific recommendations to the Obama administration on the first anniversary of its announced global development policy. The next year is critically important for consolidating gains and for setting the stage for further reforms that could elevate effective

development as a central pillar of U.S. national security policy.

## What Is the Issue?

When the Obama administration began, there was a strong sense within the foreign policy community—and specifically within the development community—that significant reforms were necessary. The U.S. government, having been plagued by a non-strategic approach to development, was not able to coherently apply its full array of policy instruments to adequately address the increasingly recognized challenges posed by global poverty, inequality, poor governance, conflict, climate change and other hu-

manitarian and human rights crises. A fragmented aid infrastructure, a weakened U.S. Agency for International Development, and an outdated morass of laws, coupled with distrust between Congress and the executive branch, resulted in inefficient aid practices at a moment when U.S. development assistance had grown considerably in financial terms. One critical question was whether the necessary reforms would rise high enough on the foreign policy management agenda of a government engaged in multiple wars and facing a global economic crisis.

Inflated hopes among leading reform advocates gave way to dimmer prospects for early sweeping changes to U.S. development efforts, as policymakers tended to more immediate domestic and international priorities. The Obama administration launched new presidential initiatives in the areas of food security, global health and climate change, and it established these initiatives with some development reform principles in mind. But key development policy leadership positions remained vacant. After one year, however, top international development positions started to be filled across agencies, and multiple official policy reviews were under way.

In September 2010, after many months of consultation and deliberation, the White House unveiled the president's policy directive on development. This PPD called for a stronger focus on sustainable development outcomes; a modern organizational structure that elevates development within foreign policy deliberations and ensures greater development policy coherence across the range of U.S. government capabilities and instruments; and a new operational model that leverages U.S. leadership and makes it a more effective partner in support of development. This was followed by the publication

of the Quadrennial Diplomacy and Development Review in December 2010, which was similarly the product of a lengthy process but centered at the State Department. An emerging set of agency-level reforms, launched last year by the U.S. Agency for International Development's (USAID's) new administrator, was incorporated into the QDDR. Essentially, after a less-than-expeditious start, the administration's reform effort picked up pace and visibly took shape within the past year.

During nearly three years of the Obama administration, as reforms have been planned amid an increasingly sophisticated policy dialogue on effective development support, the U.S. budget outlook has unfortunately soured. Between 2000 and 2010, U.S. investments in official development assistance steadily increased from about \$12 billion to just under \$30 billion (in constant 2009 dollars), but severe budget cuts are now on the table as the U.S. public focuses on economic woes. Funding levels for 2011 were cut by 15 percent from Obama's original request and 9 percent from 2010. For 2012 the Obama administration requested a marginal increase over 2010 levels, but in light of budget levels already passed in the House of Representatives and caps imposed by the recent debt deal and the accompanying Budget Control Act, it is very likely that development spending will significantly decrease yet again in 2012. Moreover, the part of the budget set aside for security-oriented overseas contingency operations is likely to grow in 2012, meaning that the total budget number for foreign assistance funding obfuscates the severity of cuts for other types of development assistance. The prospect for development assistance resources may even worsen in subsequent years as a result of looming spending cuts linked with broader efforts to curb the national deficit.

The political landscape related to U.S. global development efforts has also shifted. Republicans took control of the House of Representatives this year, making it even more difficult for Congress to pass legislation favorable to the Obama administration's agenda. And even though a bipartisan consensus seemingly formed around support for U.S. foreign assistance during the past decade, this accord has proven susceptible to current budget pressures, as evidenced by the support for massive cuts in discretionary spending on international affairs.

Additionally, 10 years into America's longest war, a weary U.S. electorate may be more attuned to criticism of nation-building efforts in Afghanistan, where the U.S. has spent more than \$18 billion since 2002 (or more than \$51 billion, if Department of Defense security and stabilization assistance is also counted). Afghanistan has now surpassed Iraq as the top recipient of American foreign aid and the politics surrounding relief and development are also being shaped by revolutions across the Middle East and North Africa, along with heightened instability in Pakistan and other countries—like Haiti and Sudan—that are teetering on the brink of high-profile disasters.

It is within this context of changing policies and bureaucracies, budgetary pressures and global politics that the reform of U.S. global development efforts must be assessed. Some necessary reforms have been decided on and announced; others must be considered and acted upon. Some of the announced reforms are being quickly implemented, while others are not. Some improvements are contingent on budgets and Congress, while others are less so.

Further progress on reform in the coming months could set the stage for more fundamental steps to strengthen development if President Obama is re-

elected in 2012. If he is not reelected, a new administration will need to assess current U.S. development policies and modernization processes and decide what to continue and what to abandon. Either way, the next year is critically important.

## What Needs to Happen—and Why?

### *What's Moving?*

Some of the reforms announced in conjunction with the administration's reviews are already under way in terms of structural or procedural changes. For example, under the leadership of Administrator Rajiv Shah, USAID has prioritized a package of proposed improvements, collectively branded as "USAID Forward."

Many initiatives are actively under way in line with the key priorities for USAID Forward. An Office of Budget and Resource Management has been established, reequipping the agency with some of the budget execution responsibilities that had been moved to the State Department under the last administration. A new Bureau for Policy, Planning and Learning has also now been set up to fill a void, positioning USAID to become a more strategic and influential institution that benefits from research and lessons from the field. This bureau oversees the newly established Country Development Cooperation Strategy process to provide better focus and results at the country level. As USAID's policy capacity is being rebuilt, it is already yielding new agency-wide policies and strategies, such as an evaluation policy meant to revitalize and restore the integrity of analytical judgments about programs and projects.

The focus on evaluation dovetails with stronger monitoring and transparency to constitute another

pillar of USAID Forward. The drive for greater transparency throughout foreign aid has resulted in the creation of a public Web site—the Foreign Assistance Dashboard, which helpfully synthesizes publicly available State Department and USAID budget and appropriation data on foreign assistance in a user-friendly and accessible way. As clearly indicated on this Web site, however, the administration recognizes that the dashboard efforts to date are only a first step (see figure 1).

USAID Forward also prioritizes innovation, science and technology, leading the agency into new research partnerships and more creative efforts to invest in entrepreneurial and potentially catalytic efforts dependent on skilled risk management. The agency-

wide reforms also place a premium on a modernized approach to human resources that could enable more recruitment and that, among other aims, seeks to better leverage existing expertise—especially among Foreign Service nationals. Another identified priority is the reform of aid implementation and procurement policies and processes.

Actually, many specific ongoing changes constitute USAID Forward. Some activities, like the dashboard or the establishment of new offices, are easy to identify, but others are less visible because they involve process and cultural changes within the agency. In each of these efforts, the key is to continue the momentum and fully operationalize changes. This is also true for the effort that is still behind the scenes to pilot

**Figure 1. Foreign Assistance Dashboard Data**

“Below is a matrix of the data currently available on this site and a preview of the data that will be added over the coming months. While only a few agencies are listed here, the aim of the Dashboard is to include all USG agencies receiving or implementing foreign assistance, humanitarian, and/or development funds. This matrix will be updated as additional data sets are added.” *Source: ForeignAssistance.gov*

Agency	Request	Appropriation	Obligation	Expenditure	Project Information	Performance Data
U.S. Agency for International Development	X	X				
Department of State	X	X				
Department of Labor						
Department of Defense						
Department of the Treasury						
Millennium Challenge Corporation (MCC)						
Department of Agriculture						
Export-Import Bank of the U.S.						
Peace Corps						

*Source: The U.S. government Web site <http://foreignassistance.gov>.*

a coordinated interagency “Partnership for Growth” approach that fosters complementarity as well as host-country consultation to jointly tackle key economic constraints. Reforms must reach the field and make a sustainable, positive difference in developing countries. For example, though broader procurement reforms are apparently moving along in tandem with the other priorities of USAID Forward, there is still a long way to go and many thorny issues must still be resolved in efforts to streamline processes, form effective partnerships with other actors and align programs with host-country needs and priorities.

### *What Is Not Moving?*

Although many ongoing activities within USAID represent announced modernization efforts that are advancing, other announced reforms are still ill defined or lagging. To achieve a modern architecture, for example, the president’s policy directive on development stated that the administration would “establish mechanisms for ensuring coherence in U.S. development policy across the United States government.” In accordance with the PPD, the National Security Staff reestablished an interagency policy committee on global development, which convenes relevant agencies to facilitate decisionmaking, set priorities and coordinate efforts. But the PPD also called for the routine formulation of a presidentially approved U.S. Global Development Strategy and the creation of a U.S. Global Development Council, comprising leading members of the philanthropic sector, private sector, academia and civil society. Both a strategy document and an advisory council are likely to be more outwardly visible than the quiet work of an interagency policy committee behind closed doors, but despite this symbolic value, they should not be for show. Each in its own way can strengthen policy co-

herence. Yet the administration has not released any further information on these two agenda items.

Although the lack of a full-fledged development strategy may stem from fatigue in the aftermath of the drawn-out policy and capability reviews, and though silence on creating an advisory council may be attributed to a bottleneck in the queue of reforms, advances related to conflict prevention and crisis response capabilities may be more deeply mired. The issue of how to deal with complex crises and conflicts was central to the QDDR, but its recommendations have not yet led to commensurate progress. The top-line recommendation for “a lead-agency approach between the State Department and USAID based on clear lines of authority” is based on a distinction—between political and security crises on one hand and humanitarian crises on the other—that is often blurred in reality. Progress has also been slow in implementing other key recommendations, such as reshaping the State Department’s pertinent structures by creating a new undersecretariat for civilian security, democracy and human rights and by creating a new Bureau for Conflict and Stabilization Operations. Leadership announcements for these new structures have not been made, but many of the relevant implementation decisions will only be made and executed by designated leaders armed with a mandate. Also, the larger challenge of whether to use civilian or military resources to deal with conflict and instability may be moving in the opposite direction. The QDDR touted the growth of U.S. civilian leadership in dealing with front-line states, noting that “[the State Department] has assumed leadership of the Pakistan Counterinsurgency Capability Fund.” However, control of the fund was transferred back to the Pentagon this year because it is politically easier to fund activities through the Defense Department.

The area of global health presents an additional concern. President Obama's stated policy is to rebuild USAID "as the U.S. government's lead development agency." USAID Forward can help with the internal strengthening of the agency, and the QDDR resolved the nebulous leadership of the president's global hunger and food security initiative, "Feed the Future," by clearly delegating control to USAID. But whereas the QDDR also explicitly concludes that USAID should lead the president's initiative on global health, it set a target date of September 2012 for this transition "if defined benchmarks are met." The QDDR's 10 benchmarks represent important goals. However, the process of measuring USAID's progress—whether against individual targets or the set of benchmarks—is ill defined and prone to subjective assessment. As a result of the fact that this politically charged decision was made to look like a technical fix, doubts remain concerning the transition to USAID leadership. Global health is a core development priority, but it is challenging for USAID to be the lead U.S. development agency when it is not clearly the lead agency for the president's global health initiative, which constitutes more than 25 percent of global assistance resources.

Finally, within the ongoing dialogue on the reform of U.S. global development policy and operations, a grand bargain between Congress and the administration is widely viewed as necessary to achieve lasting improvement. The theory is that if Congress is better informed and has greater trust in the approaches and accountability systems of the executive branch, the executive branch will be afforded the flexibility it needs to be more effective. This flexibility means far fewer legislated directives and earmarks that limit the options for development support on the ground. Members of Congress are in a position to support or

thwart necessary reforms advanced by the administration. The president's policy acknowledges all this and explicitly calls for a new partnership with Congress.

Through its reforms, the Obama administration is seeking to deliver a more strategic focus, greater transparency and better accountability for results. But so far it has largely sought to do so without adequately consulting even the most sympathetic champions for development reforms on Capitol Hill. In hesitating to engage Congress, the administration may have missed important opportunities to consolidate political and financial support for key initiatives, such as food security and strengthened evaluation. Doing more to engage Congress is in the administration's interest to gain overall support for the development budget, to make progress on current reforms, and ultimately to replace the morass of outdated legislation that governs U.S. global development support.

### *What Is Missing?*

Major structural reforms were overlooked, dismissed or intentionally left out of the administration's public agenda of changes. The organizational fragmentation of the U.S. aid and development infrastructure is a fundamental issue. More than 20 different agencies are responsible for development assistance across the U.S. government, leading to overlaps and gaps along with disunity, which weakens the development voice within foreign policy and national security decision-making.

For example, USAID may assume leadership over the Global Health Initiative in accordance with the QDDR, but the QDDR also explicitly states that the Office of the Global AIDS Coordinator at the State Department will remain separate from USAID. This office has the statutory authority and responsibil-

ity for coordinating, overseeing and managing all aspects of the President's Emergency Plan for AIDS Relief (PEPFAR), which accounts for the overwhelming majority (roughly 64 percent) of global health funding. In countries where U.S. assistance is dominated by AIDS-related programming, this organizational structure could continue to pose a challenge.

Similar challenges remain unresolved even with current reforms across the U.S. government, including the separate status of the Millennium Challenge Corporation (MCC), the Overseas Private Investment Corporation (OPIC), the U.S. Trade and Development Agency (USTDA) and others. Important elements of development assistance are also managed by the State, Treasury, Health and Human Services and Defense departments, to name a few. There are many reasons why such institutional responsibilities were established apart from the U.S. agency ostensibly responsible for international development efforts, but in the context of far-reaching reforms and a presidential directive to "elevate development as a central pillar of our national security policy, equal to diplomacy and defense," it makes sense to try to consolidate some agencies.

Beyond even the most straightforward consolidation of development agencies and activities, other structural issues remain concerning the roles of the State Department, the Defense Department and the White House as they relate to development and humanitarian assistance. The role of the Defense Department in foreign policy served as a shadow over the QDDR, which consciously tried to take on characteristics of the Quadrennial Defense Review in order to push back against expanding military missions and authorities by making the case for greater "civilian power" to advance American interests. But the balance of influ-

ence with the military must ultimately be addressed at levels higher than a capabilities review of the State Department and USAID. For example, a persistent challenge for U.S. peace-building and state-building efforts in fragile, conflict-affected regions is that of coordination across all relevant departments and agencies, including the Defense Department. This issue was largely beyond the scope of the QDDR, given that a robust White House coordination capacity, rather than a State Department or USAID capacity, is necessary for high-profile interagency efforts that heavily involve the military.

### *Leading Internationally*

With so much impetus for change, it would be easy for U.S. development officials to get caught up in the internal reform of their own system, but this introspection is happening at a critical time globally and must progress while the U.S. also leverages opportunities to lead internationally. After an era of growing official aid budgets and proliferating development actors, significant attention is now focused on making the dysfunctional international architecture more effective in support of development and aid.

As demonstrated at previous Group of Eight and Group of Twenty meetings, as well as by increased engagement with the Organisation for Economic Cooperation and Development (OECD) and high-level strategic and economic dialogues with key partner countries, the Obama administration is interested in advancing development issues through international forums. The PPD was announced as part of the president's address at the UN 2010 Millennium Development Goals Summit. Leveraging U.S. leadership, forging a division of labor among international partners and strengthening key multilateral capabilities are important parts of this new policy.

With serious policy reviews under its belt and some encouraging reforms under way, the U.S. administration is now in a good position to push internationally for tangible steps that will increase the effectiveness of development support. The Group of Twenty (G-20) meetings, the upcoming High-Level Forum on Aid Effectiveness and the U.S. chairmanship of the 2012 G-8 all present opportunities for U.S. leadership. As world leaders seek to achieve the Millennium Development Goals but also look beyond the MDG agenda to forge a new framework for effective global development partnerships, the U.S. must play an active and central role.

## Recommendations and Next Steps

Delivering on many priorities is clearly a challenge, and progress across all areas understandably cannot happen apace. The conclusions of an OECD–DAC peer review of U.S. development cooperation were just released in July, and September marks the anniversary of President Obama’s announcement of a new global development policy. The administration should use these opportunities to assess the early implementation of its announced modernization efforts and to rededicate itself to fundamental reforms.

Across many aspects of USAID Forward and the reformist approaches to implementing the food security and global health initiatives, the key is to expand upon the initial implementation efforts. The work to reshape bureaucratic cultures and systems must proceed, and some more visible aspects of modernization can also be helpful while demonstrating the administration’s ongoing commitment to its own game-changing policies.

With many moving pieces of a change agenda at the agency and operational level, the administration must not lose sight of its policy’s bolder elements, such as the push for a coherent approach to development support across the U.S. government. Moreover, the administration must become even bolder by laying the groundwork for significant and politically tricky structural reforms. The next presidential term will bring new opportunities, and planning should begin now for bigger changes in 2013 that could further elevate effective and efficient U.S. global development efforts.

In addition to these recommendations, the administration should specifically:

- *Complete the Foreign Assistance Dashboard.* Commit to a timeline with benchmarks along the way for the inclusion of new categories of data.
- *Establish the U.S. Global Development Council.* This external advisory board should be created as soon as possible, still during 2011, so that it is fully operating well before the end of the current presidential term. (For more recommendations on the U.S. Global Development Council’s creation, mission, membership and other characteristics, see Unger and Norris 2011.)
- *Lead the international charge for development effectiveness.* The U.S. must specifically seize the opportunity to engage robustly at the Busan High-Level Forum relative to its engagement at past forums on aid effectiveness. USAID Administrator Shah and other U.S. global development leaders are well positioned to come armed with credible



ideas and momentum. Additionally announcing the attendance of Secretary of State Hillary Clinton could catalytically leverage her international star power to bring greater political heft and attention to the forum while demonstrating an increased importance for development issues within U.S. foreign policy. The U.S. must also continue to encourage broader development support at the G-20, which has become the more appropriate forum—relative to the G-8—in which to exert leadership on development effectiveness. As the chair of the G-8 in 2012, the U.S. must be mindful to support rather than undercut a stronger G-20 role on development issues. (For more recommendations on international leadership opportunities and responsibilities for the U.S. in relation to development effectiveness, see Kharas and Unger 2011.)

- *Further strengthen USAID's voice in and responsibility for budget decisions and formulation.* This is an important measure of the true elevation of development and USAID's leadership.
- *Explicitly build new mechanisms and capacity for routine assessments of U.S. domestic and international policies based on development impact.* U.S. military sales, agricultural subsidies, trade agreements and immigration policies, for example, may have a significant impact on development in partner countries. The PPD mildly promotes consideration of development impact, but with few details and only “through existing policy mechanisms,” such as the Trade Policy Review Group. Where policy mechanisms do not exist, they should be created and aligned with a cohesive approach that determines which policies are assessed when, how and by whom.

- *Begin planning now for consolidation in 2013.* Just as the decision was made to have USAID oversee the president's food security initiative and eventually the global health initiative, the reforming lead development agency should be granted oversight of signature presidential initiatives that were established in separate institutions under the last administration—PEPFAR and the MCC. These newer programs were developed on the cutting edge of best practices in aid management and delivery. Their experiences have shaped the current reforms, and their orderly integration under one line of development authority must be done in a way that preserves and propagates their operational strengths while ensuring greater efficiency and coherence. Additional organizational integration involving independent development-oriented programs should also be considered on the basis of synergy and efficiency. OPIC, for example could continue to exist under a more unified development organization while expanding to absorb certain elements within USAID that are also focused on unlocking private capital, such as the Development Credit Authority. The financial returns generated by these investments could be reinjected into U.S. global development support. The USTDA could also be integrated in this way, as could elements of development assistance managed by the Treasury and State departments. For example, just as the QDDR calls for a review of the “best location for the political mandate” of USAID's Office of Transition Initiatives, implying that the office might best be housed within the State Department, the administration might equally review the location of the State Department's refugee assistance programs given USAID's humanitarian assistance mandate.

- *Approach Congress more strategically on development resources and reform.* Congressional buy-in will be necessary to enact agency consolidation and operational changes involving new approaches and resources. To lay the groundwork for reasonable resource decisions in the immediate future and legislative reforms in the next few years, the administration must put forward the right leaders and teams to engage Congress and build the public case. President Obama should finally nominate someone to lead USAID's Legislative Affairs Bureau. In these hard budgetary times, the administration must actively consult new and old champions from both political parties to forge strong relationships and build a shared executive–legislative vision for the U.S. approach to development while pushing reforms on the basis of efficiency and effectiveness.

## References

Unger, Noam, and John Norris. 2011. "The U.S. Global Development Council: What Should It Look Like?" Brookings, April 8, [http://www.brookings.edu/papers/2011/0408\\_development\\_council\\_unger.aspx/](http://www.brookings.edu/papers/2011/0408_development_council_unger.aspx/)

Kharas, Homi, and Noam Unger. 2011. "A Serious Approach to Development: Toward Success at the High Level Forum on Aid Effectiveness in Busan, Korea" Brookings, April 15, [http://www.brookings.edu/papers/2011/0415\\_busan\\_success\\_kharas\\_unger.aspx/](http://www.brookings.edu/papers/2011/0415_busan_success_kharas_unger.aspx/)