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AID EFFECTIVENESS: REFORM IN THE NEW ADMINISTRATION AND CONGRESS

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at BROOKINGS

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Acknowledgments:

This paper should be viewed more as a community product than as the creation of the author. Most of the ideas have been discussed and written about over the past decade. What I have done is bring forth what I believe are the most salient points and organized them into a particular structure.

My exposure to much of the analysis and thought on aid reform comes from discussions and publications of the organizations I am most closely associated with and that have so enriched my professional life—the Brookings Institution, the Modernizing Foreign Assistance Network, the U.S. Global Leadership Coalition, and Publish What You Fund. I have also learned from other organizations that have played a thought role in aid reform, especially the Center for Global Development, the Center for American Progress, the Center for Strategic and International Studies, Oxfam, Plan International USA, and Save the Children.

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Author's Note:

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LIST OF ABBREVIATIONS

ADS	Automated Directives System
AGOA	Africa Growth and Opportunity Act
BAA	Broad Agency Announcement
BRM	Office of Budget and Resource Management
CDC	Centers for Disease Control
CDCS	Country development cooperation strategies
CDIE	Center for Development Information and Evaluation
CIEP	International Economic Policy Council
CR	continuing resolution
CRS	Creditor Reporting System
DCA	Development Credit Authority
DEC	Development Experience Clearinghouse
DFA	Director of Foreign Assistance
DFID	U.K. Department for International Development
DFIs	Development finance institutions
DIA	Development Innovation Accelerator
DIS	Development Information Solutions
DLI	Development Leadership Initiative
DOCHA	Bureau for Democracy, Conflict, and Humanitarian Assistance
DOD	Department of Defense
DRM	Domestic resource mobilization
ERISA	Employee Retirement Income Security act
ESF	Economic support funds
EUR/ACE	Office of the Coordinator of U.S. Assistance to Europe and Eurasia
FAA	Foreign Assistance Act of 1961
FAR	Federal Acquisitions Regulations
F Bureau	Office of Foreign Assistance, Department of State
FMO	Netherlands Development Finance Company
GDA	Global Development Alliance
GAO	Government Accountability Office

GSP	Generalized System of Preferences
IATI	International Aid Transparency Initiative
IDA	International Development Association of the World Bank
IDCA	International Development Cooperation Agency
IDPs	Internally displaced persons
INL	Bureau of International Narcotics and Law Enforcement Affairs
IPR	Intellectual property rights
IT	Information technology
MCC	Millennium Challenge Corporation
MDGs	Millennium Development Goals
MEPI	Middle East Partnership Initiative
MFAN	Modernizing Foreign Assistance Network
NEA/AC	Bureau of Near Eastern Affairs, Office of Assistance Coordination
NGOs	Non-governmental organizations
NSC	National Security Council
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation
OMB	Office of Management and Budget
PEPFAR	President's Emergency Plan for AIDS Relief
PPC	Bureau of Program and Policy Coordination
PPD #6	Presidential Policy Directive on Development
PPL	Bureau of Policy, Planning, and Learning
PPPs	Public-private partnerships
PRM	State Department Bureau of Population, Refugees, and Migration
QDDR	Quadrennial Diplomacy and Development Review
SDGs	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
USAID	U.S. Agency for International Development
USGLC	U.S. Global Leadership Coalition
USTDA	U.S. Trade and Development Agency

STRUCTURE OF THE PAPER

This paper has six sections. Section I presents an overview of key findings and recommendations. Section II paints a picture of an effective 21st century U.S. development function. Section III provides a brief history of aid reform and sets out the principles upon which the paper is based. Section IV identifies elements of the current aid reform agenda that merit continued cultivation. Section V sets forth additional ideas for further action. Section VI outlines the need in the future for a mutual cooperation and partnering approach for U.S. global engagement as assistance declines as a source of development solutions.

The recommendations following each narrative generally are tiered in order of importance and impact, but not always. Certain suggestions serve as alternative options.

This paper deals mainly with the U.S. Agency for International Development (USAID), which, as the principal U.S. development agency, has been at the center of the aid reform agenda. Other U.S. government agencies are brought into the analysis where they are relevant to specific issues.

AID EFFECTIVENESS: REFORM IN THE NEW ADMINISTRATION AND CONGRESS

George M. Ingram

SECTION I—OVERVIEW

Most people engaged even peripherally in U.S. foreign relations understand that the economic, social, and political stability and progress of poor and emerging countries is inherently in the national interest, and that to advance that interest U.S. development cooperation policies and programs must be effective and sustainable. These premises drive this paper in presenting a range of ideas on how to maximize the effectiveness and impact of U.S. development cooperation efforts.

The development landscape has dramatically changed in the first 16 years of the 21st century. The Millennium Development Goals (MDGs), focused on increasing donor assistance for a specific set of mainly social outcomes in developing countries, have been succeeded by the Sustainable Development Goals (SDGs), globally agreed targets conceived around a broadened set of economic, social, environmental, and governance outcomes for all countries. Whereas in the second half of the 20th century official development assistance (ODA) was considered by many countries as a principal source of development solutions, today it comprises less than 10 percent of financial flows to developing countries. The arena of donors, once dominated by member countries of the Organization for Economic Cooperation and Development (OECD), today includes a medley of newly emerging countries, foundations, corporations, non-governmental organizations (NGOs), and high-wealth individuals.

For those who grew up during the Cold War, the principal global challenges were few and clear—the threat of interstate warfare, nuclear war, and poverty in developing countries, with a few powerful countries leading the agenda to tackle them. Today, the array and mixture of state characteristics has rendered meaningless the designation “developing” and “developed.” The global agenda now encompasses a host of issues, including ill-defined conflicts between warring factions, international trafficking and terrorism, climate change, the impact of rapid technology change and globalization, and global pandemics. Priorities and agenda setting are driven by multiple governments, international organizations and alliances, foundations, corporations, and civil society.

This transforming landscape includes challenges that are more complicated and diverse and require more complex solutions, but also offer more opportunities.

For development cooperation, this new horizon requires actors to constantly rethink approaches and be open and adaptable to new realities.

The global and U.S. development communities began addressing these challenges and opportunities by adjusting the model of development cooperation starting in the early 2000s. This paper analyzes those changes in the U.S. approach and proposes how adaptations can further evolve to make U.S. assistance efforts more effective and sustainable.

THE WHAT: Coherence and Strategy in Development

Of fundamental importance for development effectiveness is a change in culture, a change that recognizes that new global challenges involve a shift in focus from a heavy reliance on military capabilities and state power to an emphasis on non-kinetic assets of a social, economic, political, and environmental nature. Interestingly, the community that best understands this evolution is the U.S. military. Take, for example, Bob Gates when secretary of defense speaking forcefully of the importance of the civilian international affairs budget and the 170 retired three- and four-star officers who have joined the National Security Council of the U.S. Global Leadership Coalition (USGLC)[1] in support of funding development and diplomacy.

Achieving this cultural change is essential to creating a more coherent, strategic U.S. approach to development. While the ideal of an independent department that brings together all tools of U.S. development cooperation remains a far reach, greater policy and programmatic coherence can be attained under existing organizational structures, including with an empowered administrator of USAID having a coordination function. A first step toward a coherent approach to priority setting and implementation would be to formulate a U.S. global development strategy. This could be developed by the next administration with the active involvement of Congress and civil society. The strategy, in turn, could serve as the foundation for a new law to replace the Foreign Assistance Act of 1961 (FAA). The strategy and new law could facilitate consolidation and rationalization of existing programs that operate in the same arenas and have similar and overlapping objectives.

Another essential cultural change is to broaden the development agenda to bring coherence to the range of policies that impact development. This shift is needed because too much of the attention of the U.S. government and civil society is focused on assistance rather than on the many other policies and instruments that affect development.

THE WHO: USAID and the Development Voice

A key element to the more strategic approach would be to strengthen USAID and to amplify the development voice in policy deliberations. The Obama administration made notable progress in this respect, but that progress needs to be institutionalized and further advanced. For a start, the administrator of USAID should be conferred cabinet rank, as some administrations have done with other agency heads. The Obama administration has brought the development voice into interagency policy councils, mostly notably by having USAID represented in relevant meetings of the National Security Council (NSC). The next step is to make the agency a full-fledged member of the NSC. This is appropriate as it is not possible to anticipate when a development matter will arise during a discussion of a specific foreign policy or security or international economic issue. In such instances, the development perspective must be present to be heard.

The Obama administration fully restored USAID's policy function and partially restored its budget authority. Next should be conferring full budget authority to the agency. USAID could be further enhanced through joining policy and budget under the same senior manager and by adding a second deputy administrator, a step that would strengthen the agency's representation at the interagency level. An essential action to shore up USAID as the lead U.S. development agency would be to rationalize the overlapping roles of the Office of Foreign Assistance (F Bureau) and regional assistance coordinators at the Department of State and limit their roles to managing the State Department's own assistance functions and basic coordination with other agencies, not oversight and management of USAID's budget and programs.

THE HOW: Implementing Aid with Accountability, Ownership, Collaboration, and Flexibility

The manner in which assistance is provided is as important as the strategic issues of coherence and voice. Implementation has improved considerably under the past two administrations, starting with the Bush administration embedding in the Millennium Challenge Corporation (MCC) accountability, transparency, evaluation, and use of data for country eligibility and decisionmaking. The Obama administration has sought to apply these capabilities to all U.S. assistance programs, yet further progress is needed. Most agencies are only beginning to make their data available, and more must be done to improve data quality and usability. USAID has stepped up project evaluation, but needs to improve the quality and learning component of such assessments and undertake more evaluations at the policy and program level. Meanwhile, the Department of State is only just getting into the evaluation game. All U.S. agencies involved in development assistance need to understand the value that data-driven selectivity and decisionmaking bring to the MCC and adapt that experience to their own programs.

Local ownership is a key element of the MCC's operating model and is also inherent to the operations of the Overseas Private Investment Corporation (OPIC) and the U.S. Trade and Development Agency (USTDA). The Obama administration has taken the principle of local ownership across the government, with notable implementation efforts by USAID, which has evolved its focus also to programs to boost Domestic Resource Mobilization (DRM), understanding that a key ingredient of local ownership entails countries being able to finance their own development. The next step is to find other ways in which U.S. assistance can help countries become more self-reliant.

A major limitation to effective local ownership comes from constraints tied to implementation, from congressional earmarks, presidential initiatives, centralization of decisionmaking in Washington, federal and USAID rules and regulations, and staff reluctance to experiment and take risks. The new administration and Congress, along with civil society organizations, need to understand that local ownership is essential to aid effectiveness and that, achieving effective local ownership implementation requires flexibility and adaptability to the local context. Achieving greater aid effectiveness will require loosening earmarks and central control of presidential initiatives; relaxing federal and USAID rules and regulations; encouraging USAID staff to be more flexible when navigating regulations; and convincing Congress and government managers to acknowledge that success requires experimentation and risk taking (which will require moving away from rigid and excessive accountability rules).

Beyond the what, who, and how, several specific reform issues have arisen in recent years that merit special attention. First is how better to respond more effectively to the unprecedented surge in demand for humanitarian assistance. Second involves the role of the private sector and how to better deploy development finance. Third is advancing the use of data.

A final section looks down the road to begin a discussion on how the U.S. remains engaged in key international challenges as assistances becomes less relevant to country and international needs.

A New Era for Humanitarian Assistance

The United States is the number-one provider of humanitarian assistance. Given its powerful reputation for moving quickly to save thousands of lives and ease the suffering of millions, the work of the humanitarian community has until recently avoided the scrutiny of aid reformers. But those within the humanitarian community have come to understand that, good works aside, the system for delivering relief was designed in a different era and suffers from significant inefficiencies. This was highlighted in a report to the U.N. secretary-general, *One Humanity: Shared Responsibility*. The report proposed a "Grand Bargain" that was adopted at the World Humanitarian Summit in May 2016. Signed by the United States, other major donors, U.N. organizations, and NGOs, the Grand Bargain commits the international community to data transparency, greater use of local organizations, better coordination and alignment to reduce redundancies and administrative costs, more flexible modes of implementation, and greater use of cash or cash-like instruments. It also endorses a resilience agenda—alignment and integration of humanitarian and development assistance—an approach that USAID has led. Implementation of the Grand Bargain will require U.S. leadership at the global level and, within the U.S. government, a realignment of roles and responsibilities as well as new modes of implementation. Achieving these will require executive branch leadership, congressional understanding and support, and the engagement of civil society.

Development Finance and the Private Sector

The Addis Ababa Financing for Development Conference and the adoption of the SDGs marked the transition from a development dialogue dominated by how to raise and deploy more official development assistance to a broader discussion of all finance available for development, specifically domestic resources and international private financial flows. The several-trillion-dollar price tag of the SDGs, plus the larger cost of the Paris climate agreement, highlight the relatively modest role that ODA can play and the critical need to mobilize and focus domestic and international finance for the public outcomes required to achieve the global goals and climate accord. This adds urgency for the United States to enhance its efforts at development finance, implemented through three modestly resourced but well-respected entities—OPIC, USTDA, and USAID's Development Credit Authority (DCA). This ramp-up can be achieved either by combining these and related programs into a new consolidated development bank, or expanding the authorities and finance of each program. The former step would create a single locus for U.S. development finance efforts and thereby facilitate engagement with the private sector, but might be disruptive to ongoing programs. The second option would generate more financing, but would require more effective interagency collaboration.

The private sector's role in development is growing, in part due to its own recognition of the synergies between commercial interests and public goods and to the recognition by donors and civil society of the assets the private sector brings to development and the importance of economic progress to inclusive growth. The U.S. government needs to make it easier for businesses to participate in the programs and projects it manages by opening a one-stop-shop that will offer enterprises a roadmap for navigating the maze of government programs. Public-private partnerships (PPPs) are used increasingly to combine the capabilities of government, business, and civil society, but few definitive evaluations of their effectiveness have been undertaken. USAID needs a strategic assessment of these partnerships to determine their role in promoting development, especially the value of business expertise and shared value and whether PPPs catalyze sustainable economic activity.

Putting Data to Work

The volume and accessibility of data, which has exploded in recent years, is critical to good decisionmaking yet difficult to sort through, manage, and convert into knowledge. It is incumbent on a 21st century development agency to be able to organize and understand data. The principal U.S. agencies vary widely in their data IQ, from a relatively capable MCC to a data-challenged State Department, with USAID in between. U.S. agencies attempting to modernize their data systems and to report comprehensively on their activities to the International Aid Transparency Initiative (IATI) have a mixed record. The next administration needs to move decisively on this front, for example by ensuring that the USAID Development Information Solution (DIS) initiative is fully funded and implemented. The administration also needs to reconcile competing USAID and State Department foreign assistance data dashboards and determine whether a single dashboard with comprehensive data can be built.

SECTION II—VISION

Today's World

The 21st century world is proving to be dramatically different than the post-World War II period during which our current development institutions and processes evolved. Some people view the world as vastly improved, others as more threatening. Where there should be common ground is on the imperative to fit our institutions and processes to this rapidly changing world.

Reviewing the world of today highlights a few salient dynamics:

- Poverty has been cut in half since 2000, yet there remain some 767 million people living in extreme poverty and their marginalization makes it increasingly difficult for them to move out of poverty.
- Nuclear war no longer seems imminent, but rogue regimes are developing nuclear capability and nuclear supplies can be subject to theft.
- War between states is on the wane, as are annual deaths from armed conflict, but peace and stability are under attack from internal strife, fragility, and terrorism that has created 65 million displaced persons.
- Democracy blossomed around the world in the last quarter of the 20th century, but has recently retreated and civil liberties are under threat.
- Human health has dramatically improved—small pox has been eradicated and polio nearly; average life span has risen from 51.5 years in 1960 to 71.4[2] today; under-5 mortality fell 53 percent from 1990 to 2015; HIV/AIDS has been stemmed in most countries. Yet modern transportation makes the threat of a pandemic (Ebola and Zika) in one region of the world a threat to all, and new drug-resistant viruses are emerging.
- Empowerment of women has progressed significantly in much of the world, with near gender parity accompanying the rapid expansion of education, yet in many countries women and girls remain an underclass that is treated poorly and has limited opportunities for advancement.
- The distribution of world power has moved from post-World War II bipolarity to a post-Cold War unipolarity to multipolarity today. Prestige and influence has evolved from being dependent on the hard power of military strength and territorial and population size to also being driven by the soft power of culture, trade and investment, education, language, and technology—all joined into what is termed smart power.
- The 21st century is one of constant innovation and connectivity—instant communication, rapid transportation, digital rather than print, solar and renewable energy reducing dependence on hydrocarbon fuel, 3-D printing allowing fabrication in any locale rather than requiring expensive and permanent factories, the explosion of data giving an edge to those who can understand and mine data for knowledge, and constant innovation needed just to run in place.

21st Century Development Function

In this dramatically changed and changing world, what does a U.S. global development function, fit for the 21st century, look like?

One, U.S. policymakers and the American public would recognize that American soft power—development and diplomacy—is as important to the U.S. position and influence in the world as is our hard power, and that the way to avoid having to use the hard power is to deploy development and diplomacy robustly and in a forward position.

Two, U.S. defense and diplomacy policymakers would view development as an essential partner in advancing U.S. national interests, value the development voice for its pragmatic on-the-ground knowledge and experience, and ensure its presence in deliberations on major policy issues. This can best be achieved through collecting the principal U.S. government functions under a single development voice. At the same time, the principal U.S. development programs and agencies each have their individual strengths and weaknesses, the strengths of each should be identified and shared, and the brand and operating flexibility of each be respected.

Three, effective U.S. development functions would be characterized by:

- Coherence—U.S. government development programs consolidated into a single entity with cabinet status.
- Whole-of-government—support by the State Department, the NSC, and DOD of the development agencies to carry out their responsibilities; State to use its diplomatic clout to advance key development objectives, and DOD to call on development experts as partners in non-permissive environments.
- Strategic—deployment of U.S. development resources and policies focused on key priorities identified by strategic analysis.
- Local priorities—responsiveness to the needs and priorities of beneficiary communities, best achieved through local ownership, i.e., engaging the local communities in design and implementation.
- U.S. values—embedded with core U.S. values—democracy, human rights and values, progress for the underserved.
- Bridging silos—such as health programs designed so as to advance the role of the private sector, individual rights, open and honest governance, and the role of women.
- Evidenced-based—allocation of resources and identification of priorities driven by data and rigorous analysis.
- Data—robust collection and use of data supported by a comprehensive data system and culture that values the use of data for decisionmaking.
- Transparency—in policy formulation and information so beneficiaries and the American people are engaged and informed on how assistance and development policies are developed and deployed.
- Collaboration and partnership—impact of U.S. programs maximized through leveraging collaboration with other donors, civil society, and the private sector, both in-country and internationally.
- Simplicity and openness—simple and clear agency procedures so as to facilitate the engagement in partnerships with the private sector and civil society.
- Technology—utilization of and adaptation of digital and other technological advancements to make development activities inclusive and widely available.
- Innovation—empowerment of U.S. development experts to innovate and take well-calculated risks to find new solutions to development challenges.

SECTION III—HISTORY, THE AID REFORM AGENDA, AND THE PRINCIPLES GUIDING REFORM

Early U.S. Aid Efforts

While we think of foreign assistance as a post-World War II phenomenon and aid reform as new in the past decade, neither is the case.

John Sanbrailo[3] has documented U.S. assistance efforts back to the earliest years of the United States as a nation and to our founders' ideal of spreading the American experience to other countries. In 1792 the U.S. Congress established a relief fund to aid refugees fleeing the independence struggle in Haiti (then Saint Domingue). In 1812 Congress appropriated $50,000 for flour for earthquake victims in Venezuela and in 1819 $100,000 for a nation-building effort to settle freed blacks in Liberia. The first NGOs working overseas were established in the 1810s. Throughout the 1800s, the U.S. provided aid abroad in the form of humanitarian relief and technical assistance.

As summarized by Sanbrailo:

> *Indeed, many of the elements that we recognize as modern foreign aid emerged during this period: congressionally appropriated funds; humanitarian assistance and food shipments for victims of conflict, famine and natural disasters; support to revolutionary regimes and new nations; technical advice for improving education, medical care and agriculture; the establishment of NGOs operating overseas; the dispatch of volunteers to foreign lands; support for industrial and infrastructure development; public-private partnerships; and promotion of democracy and what we now call "nation-building."*

There were notable aid initiatives during the first half of the 20th century and especially during the Second World War. What was new in the aftermath of the war was the magnitude and systematization brought by the Marshall Plan and subsequent aid programs.

Nor is aid reform so new. There were various initiatives throughout the 19th century and first half of the 20th century to improve on and try new approaches to helping abroad.[4] Four successive agencies were responsible for foreign assistance during the 13-year period 1948-1961.[5] What might be considered the first notable effort at aid reform and reorganization was President Kennedy proposing and Congress enacting the Foreign Assistance Act of 1961 and the consolidation of assistance programs in the new USAID. Larry Nowels has documented six subsequent reform efforts in the last three decades of the 20th century[6] that were all basically stand-alone reform efforts undertaken by a single organization and a small group of participants.

What is different in the 2000s is the breadth and diversity of the reform endeavors, such that by 2006 it could be characterized as a cottage industry. So prolific was the analysis, to help policymakers in the second Obama administration absorb the major ideas, the U.S. Global Leadership Coalition issued a report summarizing key recommendations in 33 reports on development and diplomacy. [7]

Different observers will have their own notion as to the most formative sources of the aid reform agenda. For me the touchstone documents are *Security by Other Means*, by Lael Brainard (2007); *New Day, New Way: U.S. Foreign Assistance for the 21st Century* (Modernizing Foreign Assistance Network, 2008); *Presidential Policy Directive on Global Development #6* (White House, 2010); and USAID's reform plan, *USAID Forward* (2010).

Preceding these reports, the single document that has informed both U.S. and global development reform thinking is the Paris Declaration on Aid Effectiveness of 2005, which sets forth the principles of ownership, alignment, harmonization, results, and accountability.[8]

Implicit to this paper is an understanding that the analysis and recommendations are founded not on an assessment that U.S. assistance efforts have failed—to the contrary, in many instances they have been very successful—but that they can be improved to produce better results. Indeed, the U.S. development agencies of today—USAID, MCC, OPIC, USTDA—are not what they were 15 or 20 years ago.

In its most recent revamp, USAID has resumed its earlier practice of rigorous monitoring and evaluation and has become more of a learning institution. It has joined the transparency movement; it has hired a new generation of technical experts; and it is collaborating more with other donors, foundations, and the private sector. Local priorities and ownership of programs are receiving prime attention as part of the effort to make development sustainable. The agency is more engaged operationally with the U.S. and indigenous private sector, as evidenced by the 1,600 PPPs USAID catalyzed over 14 years. Innovation is underway, led by USAID's Global Development Lab. The agency is experimenting with new, more flexible modes of procurement.

Created in 2004, the MCC introduced an unprecedented level of evidence-driven decisionmaking, transparency in data and policymaking, rigorous evaluation, a focus on results and learning, and abiding respect for local ownership and priorities.

OPIC has transformed itself from principally an insurance agency—insurance was 70 percent of its portfolio in 1995 but only 17 percent in 2015—into a finance institution. Today, the corporation is equipped to play a role in financing the Sustainable Development Goals (SDGs). It has shifted its program focus to financial services, infrastructure, and small and medium-sized enterprises (SMEs) and micro-enterprises.[9] OPIC has improved its data collection and reporting, made its operations more transparent, and begun to look at lessons learned. It has issued green bonds that allow large-scale investors to purchase instruments that contribute to reducing greenhouse gases.

The effectiveness of U.S. assistance matters both because of the importance of achieving results and because America's role as the largest ODA contributor makes it a model for other donors. The United States is not yet maximizing the potential benefits and leverage from its current aid effort—getting there requires adapting fully to the dynamism of the 21st century. By moving forward in this way, the United States can better serve our national interest and do more to help intended beneficiaries.

The Reform Agenda

There is no single, acknowledged aid reform agenda. In a 2014 paper[10] assessing the Bush and Obama administrations records on aid reform, I posited eight core elements of the agenda that evolved during the early to mid-2000s. These eight objectives, presented below, made up the essence of the aid reform agenda as of 2007-08:

- **Development voice at the table**. Foreign policy and security concerns often intersect with development, but often no one with development expertise and experience is at the table to inform decisionmaking. This void has led to suggestions that USAID be made a formal member of the NSC, that interagency coordinating mechanisms should be reinvigorated (with USAID in the chair or as co/vice chair), and that

USAID should be a member of other relevant decisionmaking bodies and serve in a leadership role where development is the principal focus.

- **Coherence**. One answer to the lack of coherence and proliferation of U.S. government agencies involved in assistance has been consolidation. As most ambitiously envisioned, consolidation would take the form of a U.S. Department of Global Development. In a more modest reform, development work would be subsumed under the USAID umbrella. Interagency coordination is always a second-best solution if consolidation is not possible.

- **Strategy**. Another approach to both improve the coherence of U.S. assistance policies and program effectiveness is to craft a global development strategy to guide U.S. government development efforts, and to return to the prior practice of preparing country and sector strategies.

- **Accountability**. As foreign assistance programs are designed to advance core U.S. national interests, we care about achieving the intended results, as do the people and communities with which we work. This has led to greater focus on accountability, which encompasses recommendations that our assistance efforts need to produce clear and specific results, improve the monitoring and evaluation of programs, be transparent as to where and how assistance is deployed, and identify and share lessons learned from success and failure.

- **Rebuilding USAID**. The goals of improving the effectiveness of U.S. assistance and of elevating the U.S. development voice in domestic and international arenas have served to highlight that our principal U.S. development agency—USAID—was weakened over several decades through both neglect and conscious action. Its staffing level fell from a total of 15,050[11] in 1970 (the height of the Vietnam War) to 10,640 in 1990 and to 7,296 in 2000. For foreign service officers alone, the equivalent numbers are 4,570 in 1970, 1,655 in 1990, and 996 in 2000.[12] With some 23 different hiring modes[13] and limited professional training, the USAID personnel system is archaic and needs strategic restructuring. At its nadir, USAID was excluded from key interagency decisionmaking forums, its budget autonomy and policy analysis capability usurped, and its former strength in evaluation and learning diminished. Bolstering USAID staff (both their numbers and their competence) and restoring the agency's key policy and budget functions will begin to rebuild USAID's competency.

- **Local ownership**. For a considerable time—at least several decades—the mantra of the development community has been that to be effective, assistance has to involve the intended beneficiaries—national and local governments, local communities, civil society, and business. While some development NGOs as well as certain USAID missions have carried out this principle in practice, others have honored it more in the breach. The Paris Declaration brought focus to the critical importance of local ownership of development activities—not just periodic "check-ins" and consultations, but active local engagement throughout the project and program cycle. In other words, beneficiaries should have a hand in identifying priorities, designing interventions, implementing projects, and evaluating results. Embedding assistance activities with local communities and actors has become a key objective of the reform agenda.

- **Collaboration/partnership**. With a host of new development actors crowding the development field, to be effective and relevant USAID and other U.S. government agencies can no longer act alone. They must partner and collaborate with other actors, U.S. and international, government and non-government, private and nonprofit.

- **Congress**. One factor behind the lack of coherence and consistency of U.S. assistance has been the gulf between the executive branch and Congress. The last time the Congress enacted a comprehensive foreign assistance bill was in 1985 (although it has passed important, single-issue assistance bills since then).

  Congress is an integral part of the U.S. policy process and can support or stymie administration initiatives and policies through the appropriations and authorization processes, and even through hearings and interventions by individual members of Congress. Understandably, senior executive appointees often view the legislative branch as something to be avoided. They hold their posts for only a few years, are eager to get action moving and make an imprint quickly, and so often choose executive action rather than the uncertain morass of the legislative process. But that is short-sighted and often misguided. Executive branch political appointees will be long gone when senior members of Congress are still sitting atop their committee daises on Capitol Hill with long memories and, for the more thoughtful ones, expanding knowledge of the issues.

For its part, Congress needs to adapt to the multipolar 21st century where the United States is less able to unilaterally drive issues and instead needs to be a collaborative global partner. Today, for most countries, U.S. assistance is a small source of finance that brings little leverage. Given this context, Congress can play a more constructive oversight role by focusing on results—looking at outcomes and impact—rather than just on the input side of pushing money out the door. The MCC and the President's Emergency Plan for AIDS Relief (PEPFAR) are good examples of how Congress can be a partner with the executive branch in building good development programs.

While Congress can be viewed in the short run as an obstacle, in the long run it has to be engaged to bring broad consensus to U.S. policy. It is easy to forget that Congress actually has a noteworthy history in foreign assistance.[14]

To foster coherence and a strategic approach, a U.S. global development strategy and a new foreign assistance act would bring Congress and the executive branch into a dialogue on U.S. strategic interests and lead toward a consensus on foreign assistance objectives and goals.

Principles Guiding the Aid Agenda and Reform

Following are the principles upon which the analysis and recommendations in this paper are grounded:

- U.S. international interests rest on the triad of the "Three Ds"—Defense, Diplomacy, and Development.[15] They are co-equal in policy statements, not in practice. Defense dominates in the budget arena. Diplomacy dominates at the policy level (often appropriately) and sometimes in implementation (often not appropriately). Development often is the afterthought and not preeminent, even in its own space. Like diplomacy, development is in need of more resources and better implementation of those resources. U.S. government executives responsible for development need greater voice in determining development policy and in informing decisions related to the other two Ds.
- Foreign assistance and development are in the country's security, economic, and humanitarian interests. Countries that enjoy economic progress and political and social stability are better able to create jobs and provide education for their citizens, have health systems that keep their populations healthy and control potential pandemics, are invested in a stable international system, and are rarely breeding grounds for terrorists. Prosperous countries are strong partners for U.S. trade and investment. Foreign aid to the neediest countries fulfills our humanitarian values.
- U.S. assistance and development policies successfully promote U.S. national interests only if they produce the intended results. Therefore, effectiveness and results must be guiding imperatives. Effectiveness is gauged not just by the results of individual projects but by the achievement of inclusive development. Project failure is not necessarily equated with a lack of effectiveness if the activity was innovative, if risks were carefully calculated, and if valuable lessons emerged. Based on this broad definition, effectiveness, and its companion sustainability, are the holy grails of development.

- The best diplomats are informed by savvy development experts and vice versa. These two fields are distinct disciplines and professions and each needs to respect the other's roles, responsibilities, and expertise and also to be informed by the other.

- Clarity of mission and authority leads to better results and accountability.

- Consistent and effective policy will most often flow from a well-articulated strategy, developed in consultation with relevant stakeholders.

- Simple management lines produce the best results. The ideal organizational structure consists of comparable programs aligned in a single operating unit. When direct reporting lines are not feasible, organizations need to delineate more complex decisionmaking and implementation processes.

- Clear guidelines and principles are essential to effectiveness, but over-prescriptiveness should be avoided in order to preserve the flexibility necessary to fit to country realities and adapt to changing circumstances.

- Operating with an overarching strategy and clear guidelines, decisionmaking should be pushed as close to the intended beneficiary as possible.

- U.S. policies and programs work best when aligned with country circumstances and developed in consultation with local stakeholders. Partnering with country governments, national institutions, and local civil society and private actors brings our development efforts into alignment with local priorities and context and adds human and financial capability, both of which contribute to sustainability.

- Transparency is a quintuple win—it advances accountability, introduces new information that improves policy and programs, ensures mission discipline, facilitates coordination, and builds understanding and stakeholder support.

- Data and lessons from evaluations of past efforts should be used to inform policies and progress. Monitoring should be based on discrete, measurable goals at both the national and local level. As not every aspect of development can be quantified, qualitative assessment and experience are also important sources of data and information. Long-term development results matter more than project outcomes.

- Resources and programs should be aligned with objectives and global context.

- Congress can have a significant impact on U.S. policies. Sustained policy will be achieved only if Congress is involved in deliberations on major policies and strategies.

SECTION IV—CARRYING FORTH THE CURRENT AID REFORM AGENDA

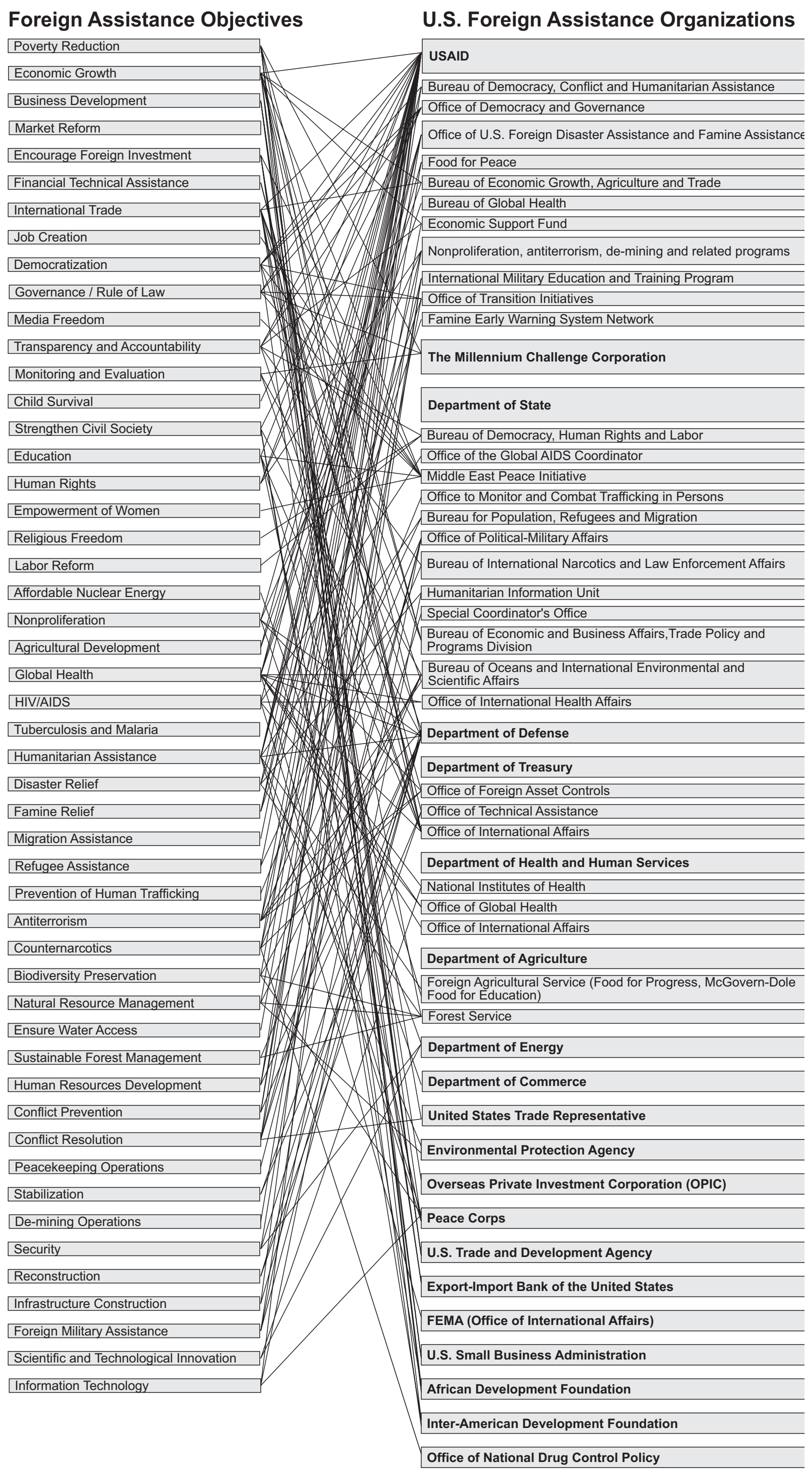
The starting point for the new administration and Congress should be completing reforms already initiated. What follows is a summary of progress through September 2016, along with an exploration of the what, the who, and the how of the unfinished agenda. Attention is focused on steps that would make U.S. development policies and programs fit for the 21st century. To get there, it is essential to further elevate the voice of development in policy deliberations and strengthen USAID.

Coherence—Development Voice—Stronger USAID—Strategy—Engaging Congress

The goals of coherence, a strong development voice, strengthening of USAID, a strategic framework, and engaging Congress are interrelated and interdependent.

The interrelationship is relatively clear. Better coherence and rationalization in the structures of U.S. foreign assistance would strengthen the development voice, congressional and citizen understanding, and support for development objectives. Creating a global development strategy will promote greater coherence and priority setting by rationalizing the multiple objectives and respective roles of the many agencies and offices involved in development activities, facilitate an understanding and support of those objectives, and empower the development voice. Strategic framing must be done through engagement with all stakeholders, not just internally within the executive branch but with Congress and civil society. It is through such stakeholder engagement that consensus and broad support for development assistance will be built. Central to the success of this approach will be to enlist Congress in constructing the development strategy and crafting a new foreign assistance law. A stronger, more capable USAID would be able to carry its own weight, be more respected, and be better able to serve as the development voice.

U.S. Foreign Assistance Objectives and Organizations



The Coherence Challenge

The "spaghetti chart" (Page 14) by Lael Brainard[16] depicts the connections between foreign assistance objectives and the corresponding government offices. This nearly indecipherable diagram visualizes the lack of coherence of 26 U.S. government agencies engaged in foreign assistance. Many play only a small, selective role, but nine are significant actors—USAID; MCC; the Departments of State, Treasury, Defense, Agriculture, and Health and Human Services (the latter mainly through the Centers for Disease Control (CDC)); OPIC; and USTDA.

The following are some examples of overlapping responsibilities:

- The Middle East Partnership Initiative (MEPI) at the Department of State funds programs similar to USAID programs in the same Middle Eastern countries.
- State and USAID carry out a range of democracy promotion programs that are similar and overlapping.
- USAID hosts most U.S. international development health programs, but the headquarters of the largest health program, PEPFAR,[17] is at the Department of State. PEPFAR is implemented through the State Department, USAID, and the CDC, and even with well-established coordination mechanisms in Washington, different implementation protocols cause confusion in the field and with development partners.
- State and USAID share responsibility for humanitarian assistance, with State responsible for refugees and USAID for internally displaced persons (IDPs).
- DOD carries out foreign assistance activities that better fit USAID's mission and expertise.
- USAID and the Department of Agriculture carry out similar agricultural projects.

Typically, while exceptions are possible, when more than one person, office, or agency is responsible for a specific objective or overlapping objectives, especially in the absence of an overall strategic framework, it is unclear who is in charge, no single entity or person can be held accountable, and contradictory policies can result. Budget planners are forced to cobble together funding from different accounts and agencies to meet a discrete objective.

The Bush and Obama administrations have differing records on coherence. The Bush administration, at least in part due to distrust of its principal development agency, located its two most significant development initiatives—PEPFAR and MCC—outside USAID. While both initiatives are respected as innovative and effective, their creation contributed to the dispersion of development responsibilities. In an attempt to bring coherence to the development assistance arena, the Bush administration created the F Bureau—the Office of Foreign Assistance in the Department of State. At first the F Bureau primarily collected information to provide a comprehensive picture of U.S. funding, but it evolved to take on a coordination and control role and now serves as a bureaucratic layer over USAID.

At the beginning of the Obama administration, further dispersion occurred with the establishment of Feed the Future, a joint initiative run by the State Department and USAID. However, the first Quadrennial Diplomacy and Development Review (QDDR)[18] corrected that by assigning USAID the lead role. The QDDR also created a process for considering the transfer of the Global Health Initiative (the core of which was PEPFAR) from the State Department to USAID, but consensus on the criteria for making that transfer was never reached. The QDDR appeared to be headed toward rationalizing the roles of the Department of State and USAID in managing humanitarian relief programs, but in the end it left the USAID Bureau for Democracy, Conflict, and Humanitarian Assistance (DOCHA) and the State Department Bureau of Population, Refugees, and Migration (PRM) with overlapping mandates. USAID was conferred a lead role for Power Africa as well as oversight of the Partnership for Growth (though the latter was by default). On balance, the Obama administration neither added to nor reduced the dispersion of U.S. assistance programs, but did give a strong nod to USAID as the lead agency on development.

Strengthening USAID

The dramatic decline in USAID staffing in the 1980-1990s drained the agency of talent and technical skills. This forced USAID to shift from a policymaking and implementing agency to one that contracted out much of those functions.

The Bush administration contributed to the weakening of USAID by abolishing the agency's policy and budget offices and moving much of the staff to the new F Bureau (headed by the director of foreign assistance (DFA) who also served as the administrator of USAID). When the administration closed the Center for Development Information and Evaluation (CDIE), USAID lost its former strength in evaluation and learning. CDIE had effectively functioned as USAID's center of excellence in evaluations and as a repository for evaluations and other development information.

Rebuilding USAID started in the last two years of the Bush administration with the appointment of Henrietta Fore to serve the dual roles of administrator of USAID and the F Bureau's DFA. Sending a signal that the agency would again be taken seriously, she operated principally out of her office at USAID, in contrast to her dual-hatted predecessor. Even more importantly, Fore launched the Development Leadership Initiative (DLI) to rebuild the human capital at USAID. She set an ambitious goal of doubling the number of USAID foreign service officers. She viewed senior technical staff at USAID not as unproductive overhead but as instrumental personnel for delivering development assistance. USAID staff interact with ministry officials and civil society organizations, lead international development deliberations, draft policies, and design and oversee programs and projects.

The Obama administration continued the DLI program. As of September 2016 the foreign service cadre stood at just over 1,800 (and close to the goal of 1,850[19] if foreign service limited hires are included), compared to a low of 996 in 2000 and 1,025 when the DLI was launched. In addition to the numbers, the Obama administration has concentrated on attracting specific technical expertise.

The Obama administration restored USAID's policy capability through the creation of the Bureau of Policy, Planning, and Learning (PPL) and partly restored its budget function in a new Office of Budget and Resource Management (BRM). The administration consolidated its early efforts at innovation, science, and technology, and several programs involving the private sector, into a new USAID Global Development Lab. The administration also restored to USAID its prior functions of evaluation and drafting of country and sector strategies.

Early in the Obama administration, the Global Health Initiative was placed at State, and Cheryl Mills, chief of staff to Secretary of State Hillary Clinton, was put in overall charge of the U.S. response to the devastating 2010 earthquake in Haiti. Since then, USAID has been assigned the lead role in key administration aid initiatives, including Feed the Future and Power Africa. Leadership for Partnership for Growth was initially at the NSC, but de facto leadership has evolved to USAID. Leadership in responding to the Ebola crisis resides at the White House.

A Development Voice at the Table

During the years when USAID influence waned, in addition to dealing with reduced staff and expertise the agency was excluded from key interagency policy forums, and independent decisionmaking was eroded. Out of this experience, several lessons surfaced.

First, development requires highly technical and experiential expertise—*technical expertise* in the form of knowledge of education, health, workings of political systems, science and technology, the ability to conduct rigorous monitoring and evaluation, and more; *experiential expertise* in knowing how to implement projects and activities in strange and challenging circumstances—in poor communities, in foreign cultures, in fragile states without functional infrastructure or normal social and political structures, and in the midst of conflict and natural disasters. Often such specialized knowledge and experience is not understood by officials in other agencies, yet they insist on injecting themselves into decisions that require that expertise.

Second, USAID was often excluded from deliberations on issues relevant to development. While development is highly technical, it also is political. Aspects of major foreign policy and security and economic decisions involve foreign assistance and development—how much and what kind of assistance to provide to a key ally or how to respond to a country in crisis or how U.S. economic policies impact other countries. USAID and the development perspective have often not been represented on interagency committees and not invited into key deliberations. This omission has been partly a function of its loss of human capacity, but also a function of development's loss of respect as a unique discipline in which decisions and management require expertise and experience.

On balance, the Bush administration tended not to bring the development voice to the table, with USAID often absent from NSC meetings and not assigned the lead on development initiatives, with the exception of the President's Malaria Initiative (PMI).

The Obama administration reversed this course. While it did not make USAID a permanent member of the NSC, the Presidential Policy Determination on Development (PPD#6) did assert that USAID would be "included in meetings of the National Security Council, as appropriate," and this commitment has been honored. The administration has included senior USAID officials in all or most relevant NSC meetings and other interagency deliberations.

The challenge is not just getting the development voice to the table. It is to persuade other stakeholders to internalize that development is integral to U.S. global strategy and to listen to the development perspective.

The Department of State should see a strong and competent USAID as a strategic ally. While there are day-to-day tensions between the two agencies, they share common interests. State should want a USAID capable of implementing development programs, able to be a companion voice at interagency deliberations, and positioned to serve as a strong leader for the United States in the international arena. The department should want a USAID with the authority and capacity to direct, inform, and coordinate the broad sweep of U.S. development policies and programs. And it should appreciate that the critical role for the State Department in development is to bring its diplomatic clout to bear in advancing key development issues, rather than overseeing program implementation.[20]

Development of a Strategic Framework

A strategy provides a road map of where an organization is going and how to get there. In the absence of a strategy, or strategic framework, organizations tend to focus through the rear view mirror—last year's policies and programs dictate next year's. Armed with a strategy, an organization is able to sort through goals and objectives, assess strengths and weaknesses, identify resource requirements and how to allocate them, and set benchmarks by which to gauge progress.

Except for a short hiatus in the 2000s, USAID has a history of preparing strategies to guide country programs and core policies. The practice was resumed under the Obama administration, and since 2012 the agency has written 60 country development cooperation strategies (CDCS)[21] and more than 20 sector and issue policies and strategies, along with updated implementation guidance in the Automated Directives System (ADS)).

The 2010 PPD#6 called for "a U.S. Global Development Strategy for approval by the President every four years." While the administration has not carried through on this commitment, PPD#6 did provide the first-ever administration-wide development policy that sets forth priorities and policy guidance for all agencies involved in development activities—a step short of a full-blown strategy but very useful in bringing some coherence to administration policy. USAID issued its own policy directive, "USAID Policy Framework, 2011-2015,"[22] based on both the PPD#6 and USAID Forward, to provide concrete agency-wide policy guidance.

One way to understand why a strategy is needed is to conceive of what issues it would tackle—what the components of a strategy might be. There is no end of issues that confront U.S. assistance and development policies that need strategic resolution. A strategy should encompass guidance on bilateral and multilateral assistance as well as U.S. policy toward U.N. development agencies. Such a strategy might cover some of the following:

- How should U.S. development policy factor in the SDGs?
- What are U.S. sector priorities—health, education, democracy, water and sanitation, climate change, infrastructure, SMEs and business development, DRM?
- What is the role of climate change in U.S. development priorities and programs?
- What are U.S. priorities for the world's major geographic regions?
- How can U.S. assistance be tailored to particular country circumstances, for example in fragile and conflict-affected states, in poor but stable countries, and in middle-income countries?
- What are the criteria for consolidating and rationalizing comparable development programs?
- When should decisionmaking be centralized and when decentralized?
- What is the role of innovation and what are the incentives for programmatic risk taking?
- Whether and how to incorporate cutting-edge/cross-cutting issues such as youth and women and girls empowerment? Girls and women appear well along to being engrained in the policies and programs of USAID and other development agencies. Is a similar focus on youth appropriate given demographic trends?
- What is the right balance between investment in prevention versus response for immediate needs for countries fraught with instability or emerging from conflict?
- What is the proper balance between meeting political and foreign policy expectations for quick wins

and near-term results versus investment in long-term efforts to build local ownership and capabilities?

- What are the trade-offs between structuring U.S. health assistance around discrete diseases versus building comprehensive health systems?
- How can U.S. policies for bilateral, multilateral, and U.N. development programs be consistent and mutually supportive?

Especially in light of the tight budget environment, the United States will be better positioned to respond to global challenges if there is an overarching U.S. global development strategy that sorts through competing priorities and sets clear objectives, allowing policy to drive the budget rather than the other way around. In keeping with the primacy of "Defense, Diplomacy, and Development," and how they are interrelated and mutually supportive, a new global development strategy should be linked to the U.S. national security strategy.

Congress and the Foreign Assistance Act

One fundamental barrier to a strategic approach to U.S. development policy stems from the 55-year-old Foreign Assistance Act. In some ways, the FAA constituted the first and only U.S. aid strategy. Today it is anything but strategic. A 2009 analysis by Oxfam[23] documents the dysfunction of the current statutory basis for foreign assistance. The FAA grew from 49 pages in 1961 to 417 in 2009, and it exists alongside 38 other major foreign assistance laws. To comprehend the complexity all these laws generate, take the case of assistance to orphans: understanding the statutory basis for orphans requires accessing seven laws. A 1989 report of the House Committee on Foreign Affairs found 33 objectives in the Foreign Assistance Act;[24] the 2009 Oxfam report found 140 priorities and over 400 specific directives. The FAA has not been reauthorized, i.e., updated, since 1985, when the Cold War was alive and well and communism the principal foreign boogeyman for the U.S.

The Bush and Obama administrations both grappled with congressional dysfunction, especially Obama with the rise of the Tea Party and severe budgetary constraints. Bush's time in the White House spanned two congresses in which Republicans controlled both the House and the Senate and two congresses with party control split between the two legislative bodies. Elected with Democrats controlling both houses, Obama subsequently had to adapt to two congresses with split party control; now, at the end of his second term, Republicans control both bodies.

The Bush administration launched its two signature development initiatives—PEPFAR and the MCC—through congressional authorization. As is customary, winning bipartisan support for both initiatives took the usual protracted wrangling, but the effort paid off. The legislation, which established a bipartisan statutory basis for the initiatives, improved on the original concept while staying true to the vision and framework laid out by the president.

The Obama administration launched its development initiatives by executive action and in its first term rejected working with Congress. The Obama White House did not take up the opportunity to work with Senators Richard Lugar and Bob Casey to use their draft bill on global food security as a vehicle to authorize the administration's Feed the Future.[25] Likewise, the executive office did not support Senators Lugar and John Kerry's bill on aid reform, nor did the White House support the effort of Congressman Howard Berman to rewrite the FAA. Only in its second term did the Obama administration come to understand the value of institutionalizing its programs and making them sustainable through legislation

The final Congress of the Obama administration provides a useful lesson. As frustrating as it is to work with Congress on politically charged domestic and foreign affairs topics, issues in the development arena that fly below the political radar can garner bipartisan support. While it has been a slow, tortuous process, the second session of the 114th Congress enacted three pieces of foreign assistance legislation in 2016, and all reflect a leaner, "reformist" approach to drafting foreign assistance legislation.[26] The Foreign Assistance Accountability and Transparency Act[27] writes into law the Obama administration's policies on monitoring and evaluation as well as on aid transparency. The Electrify Africa Act[28] authorizes the administration's Power Africa initiative. The Global Food Security Act[29] institutionalizes Feed the Future.

Creating Coherence and a Strong Development Voice

A review of past and possible models aimed at achieving policy and structural coherence is instructive. In January 1971, President Nixon created the Council on International Economic Policy (CIEP), with himself as chair and Nixon-insider Peter Peterson as executive director.[30] The council was effective in coordinating economic policy, including assistance, because everyone knew that Peterson spoke for the president. But CIEP vanished with the end of the administration.

President Carter seized on a congressional initiative to bring all development-related activities under a single coordinating structure, the International Development Coordination Agency (IDCA).[31] His report to Congress noted that no single official was in charge, no agency had authority to ensure programs were consistent with each other, and no official could speak authoritatively for the administration's overall development policies and priorities.[32] IDCA was to oversee not just bilateral assistance, but also assistance to multilateral banks and U.N. agencies. It was a creative solution but a failure due to insufficient staff, budget, and policy authority.

The Obama administration created the position of special assistant to the president and senior director for development and democracy at the NSC. Gayle Smith held the position for six years. Backed by the authority of the president and PPD#6, Smith brought some coherence to U.S. development policy, but as a lone senior official with a small staff, she could focus only on the most important and urgent matters.

Maybe the most successful model was the new USAID in the 1960s when it held most of the development cards and was the president's creation.

A sometimes suggested option for bringing greater coherence to U.S. policy is the merger of USAID into the Department of State. This was pushed by Senator Jesse Helms in the mid-1990s and resulted in USAID losing some of its independence, with its reporting relationship to the president being replaced by reporting to the secretary of state. Further independence was lost under the Bush administration with the creation of the DFA role in the State Department in 2006.

The case for merger rests on development being not just a U.S. goal in-and-of-itself but also an important objective of foreign policy. USAID and State both implement assistance programs, sometimes in the same arena, so it would be more efficient to bring them together under the authority of the secretary of state.

There are several counterarguments to merger. This model works for smaller countries, countries that do not carry the global burden that the United States bears. The Netherlands and several Scandinavian countries follow this model, but for these countries development is a principal foreign policy objective that seldom is overridden by more urgent security goals. In contrast, a U.S. secretary of state beset with a host of global responsibilities would have little time for development. The exception to the rule was Secretary Clinton, whose personal interest led her to play a lead role on key development issues, but not to the extent that would be necessary if State had responsibility for the full array of development programs.

Further, the Department of State and USAID and its employees are fundamentally different in nature. State is an agency of diplomats and foreign policy experts; USAID an agency of developmentalists who are thought leaders on development and on-the-ground implementers. State gives priority to the here-and-now; USAID development experts focus on assuring long-term impact. State employees are gifted communicators, diplomats, and policy analysts; USAID employees focus on and excel in management and program execution. The State Department does not recruit for management skills; it only recently started providing management training for junior officers and, for the most part, it does not reward effective management. USAID, by contrast, recruits for, promotes, and rewards program design capabilities and expertise in implementation, monitoring, and evaluation. For a graphic example of the differing perspective of the two agencies, see the 2016 USAID Inspector General report on U.S. assistance priorities for Pakistan that details the tension and repercussions of State's penchant for action now versus USAID's long-term, more analytic approach.[33]

An alternative approach is to join all or most development programs into a single cabinet-level department of development. The model is the U.K. Department of International Development (DFID), which is responsible for most British assistance programs and whose minister sits on a range of cabinet-level committees, thereby bringing the development perspective to relevant policy considerations. A single development agency has the advantage of facilitating policy and program coherence, avoiding duplicative and even conflicting policies and programs, being more efficient, and empowering a single voice for development. In the case of the United States, a single agency should have a broad political appeal to both conservatives and liberals, as it offers a streamlining of government and a more effective development powerhouse.

A perennial issue is the often overlapping roles of USAID and the Department of State in humanitarian assistance, with USAID principally responsible for internally displaced persons and State for refugees. As development and humanitarian assistance have traditionally been viewed as fundamentally different, with humanitarian assistance focused on short-term relief and development on long-term economic, social, and political advancement, some have suggested moving both agencies' responsibilities for humanitarian assistance into a new agency. This made some sense when humanitarian assistance was mainly about emergency relief. However, with the average tenure of displacement rising to 17 years, humanitarian assistance is no longer seen as just a short-term matter. With the burgeoning resilience agenda, both humanitarian and development experts are coming to understand the need for the two fields to work together along common plans and strategies.

The objective of structural coherence is a conundrum: it runs smack into competing principles, goals, and interests. Ensuring that policies and programs are coherent and consistent and that the United States government can speak with a unified voice is important. On the one hand, consolidating programs into a single structure facilitates coherence and clear lines of management and accountability. On the other, bringing all programs under a single entity creates a proliferation of mission objectives. While it sounds ideal, accomplishing coherence is difficult. For example, DOD has taken on certain development-like operations due to insufficient funding for civilian agencies, but getting the required funding to other agencies is not likely. In addition, various government agencies have specific interests and expertise and may be better positioned to administer certain programs.

Short of creating a cabinet-level office out of whole cloth, the place to start is to assess the missions, capabilities, and interests of the various agencies and programs engaged in development assistance, establish whether certain programs or agencies have similar missions, and then realign them according to where the fit is best. For example, MEPI carries out programs similar to those of USAID, just without the same degree of oversight. Another example is PEPFAR. As the first QDDR suggested, it really belongs with USAID's health programs. PEPFAR was launched as an emergency program in response to a pandemic that was spinning out of control. It is now also focused on sustainable solutions to HIV/AIDS and health infrastructure and so should be brought into alignment with USAID's broad health programs. But moving PEPFAR into USAID must be structured in a way that preserves the ability to mobilize the diplomatic skills of ambassadors and other diplomats and also coordination and funding for DOD in its work with foreign military services.

Less straightforward is how to reconcile the overlap between the MCC and USAID. The MCC's mission of poverty reduction through economic growth is among USAID's many mission objectives. MCC is respected as an innovative, data-driven, results-focused program that has avoided the many constraints of USAID, such as multiple missions, State Department interference, and congressional earmarks, none of which one would want foisted onto the MCC. A starting point might be to assess the strengths of both agencies; identify where their programs intersect; consider how they can learn and work together; and look at where functions can be shared (such as constraints analysis and evaluations). That analysis could help answer the question as to whether there is a way to bring the two organizations closer together. Is there a more joined model that preserves their respective brands and builds on the strengths of both, including the MCC public-private board and absence of earmarks?

The fundamental problem is that, since the reporting change for USAID in the mid-1990s from the president to the secretary of state, USAID has lived in limbo—neither truly independent nor truly integrated into the Department of State. So it is subject to a constant tug-of-war pulling it in both directions. This is good neither for policy coherence, nor program management, nor agency moral. For whom does an employee work and answer to? Resolution of this tension would be in the general interest of all—for policy and for the effectiveness of U.S. development programs. Resolution would end the duplication of effort, improve the effectiveness and efficiency of policymaking and officials' use of their time, and end the permanent uncertainty.[34]

Recommendations

A new administration and Congress can make U.S. development policies and programs more coherent and strategic in the following ways:

Three Big Wins:

- **Elevating the development voice:**
    - ➔ **Single U.S. development department**: Start fresh with a re-envisioned model for U.S. devel-

opment along the lines of the 1961 version of USAID or an adaption of the U.K.'s DFID, with most programs in a single cabinet-level agency that is able to weigh in on a range of development-related policies. This is the ideal as well as the most pragmatic way to maximize impact—but likely must await either a courageous president and Congress or further dysfunction that compels a move away from the current medley of agencies.

Alternatively

- **USAID as the development lead**: Create a more empowered version of IDCA, a Development Coordination Council to coordinate U.S. development policies and programs, chaired by the USAID administrator who is assigned cabinet rank and has a direct line to the president, with foreign policy advice from the secretary of state. This coordination role would create a single voice for U.S. global development and improve policy and program coherence.

- **Global development strategy**: Systematically engage relevant government agencies, congressional committees with foreign affairs jurisdiction, and civil society to craft a U.S. global development strategy. The strategy would help bridge the executive-congressional chasm on development priorities and purposes of foreign assistance and empower the development voice.

- **A new FAA**: Use the strategy as the basis for collaboration with Congress to craft a successor to the FAA of 1961. The new act would institutionalize in law the structural and strategic changes from the above two actions and serve as a solid basis for congressional oversight.

Additional Steps

As part of those three big steps, or even short of such dramatic change, the recommendations below and in the following sections would enhance the effectiveness of U.S. assistance policies and programs:

- **Administrative coherence**: Rationalize overlapping program and policy responsibilities among agencies by taking action along two fronts: (1) create coherence, and reduce overlap and inconsistency, by joining in a single structure programs with like purposes and functions, and (2) maintain independent programs that have a clear, focused singular mission. This could mean:
  - Identifying options for bringing USAID and MCC into closer alignment and sharing capabilities.
  - Joining health programs by moving PEPFAR into USAID, with the CDC and its deep expertise remaining a key USAID partner.
  - Moving MEPI to USAID.
  - Joining international disaster, refugee,[35] and IDP assistance programs in USAID, or at a minimum rationalizing the respective roles of USAID and the State Department.
  - Rationalizing USAID and State's democracy programs.

- **Reorganization authority**: Congress should provide the new president reorganization authority to allow the administration to bring coherence to foreign assistance programs.

- **Avoidance of dispersion**: Prevent further dispersion of development programs—no new assistance initiatives outside USAID.

- **Full budget authority**: Provide USAID full authority over its budget, informed by the Department of State and other agencies where they have relevant expertise and interests.

- **Expanded policy function**: Further strengthen and broaden USAID's policy function by expanding staffing and policy competencies, especially of the PPL but also of the regional and technical pillar bureaus.

- **Joining of policy and budget**: Combine PPL and BRM so policy and budget are linked and developed together, thereby integrating the two and giving

USAID a strong assistant administrator who can present an integrated view of agency policies and funding, as was the case in the late 1970s when Alex Shakow was head of the Bureau of Program and Policy Coordination (PPC).

- **Two deputies**: As demonstrated by the Obama administration's creation of a de facto second deputy administrator (a senior, Senate-confirmed official was moved to the front office and given the title of associate administrator), the frequent demands for a senior USAID voice at interagency meetings and the management of a complex agency require an additional official to fill the need for senior leadership.

- **Institutionalize the development voice**: Strengthen the development voice in interagency decisionmaking as follows:

    - Assign the administrator of USAID cabinet rank.
    - Make USAID a permanent member of the NSC.
    - Preserve the NSC position of senior deputy for development.
    - Assign USAID the role of leading administration initiatives and deliberations on development matters.
    - Ensure USAID is represented in interagency meetings when development or development-related issues are considered.
    - Announce the new administrator of USAID at the time of the selection of the secretary of state—avoid the mistake of the Obama administration of waiting a year to appoint the USAID administrator—and shortly thereafter the heads of MCC, OPIC, and USTDA.

Flexibility—Adaptability—Responsiveness

The lesson from the corporate world and development experience over the past 30 years on where decisions are most effectively made is the same—push decisionmaking down the line as close to the customer as possible. A coherent strategy and clear guidelines need to be set from the center but informed by knowledge and experience from the field. Then the field needs the flexibility to fit the strategy to customer needs, local context, and changing circumstances.

Earmarks and Presidential Initiatives

How does U.S. development assistance fit this model? Very poorly. All parties— Congress, the White House, USAID, NGOs—contribute to the obstruction. One, Congress earmarks much of development assistance and other program spending, all for very good and important uses. But a budget that locks in specific dollar amounts for specific purposes and countries constrains the U.S. government's ability to respond to needs and priorities identified by its country mission, the partner government, and local civil society. Two, every administration launches presidential initiatives, again for very good purposes, with design and control typically in Washington—the president has his or her imprimatur on the initiative so the staff feels an imperative to maintain control and monitor closely. Three, USAID's rules and regulations tie the bureaucracy in knots that constrict innovative and creative decisionmaking. Four, to complete the circle, civil society lobbies for earmarks and directives for its well-meaning causes.

So there are a series of well-intentioned actors and actions the collective impact of which is to prevent the United States from maximizing the effectiveness of its assistance programs and thereby limiting its ability to respond to local priorities and needs, adapt to local circumstances, and design its programs to fully engage in local ownership. What is required to break out of this straightjacket is agreement on the importance of maximizing the impact of our assistance and an understanding of the constraining effects of each of these well-intentioned actions.

The president's budget as proposed to Congress starts out with funds for foreign assistance divided by agency, program, and sector. Some segmentation of the budget is necessary to set priorities, to provide an understanding of how the funds are to be deployed, and to account for use of the funds. It is appropriate for Congress to review those presidential priorities and modify them if its determination of the national interest differs. But, in addition to that, the Congress further segments the budget into more constricted pots of money (earmarks) by program and country and limits the movement of funds from one account or one country to another. Imagine the complexity of sorting out a budget that is constrained by three overlapping tiers of requirements—country earmarks, overlaid by sector and program earmarks, overlaid by directives. Congress has acknowledged this limitation in the last two appropriations bills by providing first 5 percent and then 10 percent flexibility to move funds among accounts.

Two aspects of this process are crazy. One stems from the length of the budget process. The administrative procedures of building a budget begins almost two years before the budget is supposed to go into effect. This means that the start of the construction of a budget is informed by what is happening in a country and U.S. priorities that were in effect in the year or so leading up to that two-year-earlier start, so maybe three years before it takes effect. Then the House and Senate appropriations committees draft their bill—i.e., write the basic structure for spending—in the spring, a year or more prior to it taking effect. The situation is compounded when the appropriations bill for the year is enacted as a continuing resolution (CR), which extends the prior-year budget into the next year. In some years the budget or CR is not enacted into law until a third or halfway into the fiscal year. Then, once the budget is finally enacted, it takes months of negotiations (the 653a process) between the administration and the appropriations committees over the exact level of funding for each program and country. The result is that funds are not available to be committed until late in the fiscal year, and the basic input into the budget really started three to four years before the budget takes effect.

The second stems from Congress writing specific conditions in the law and directives in the accompanying report that mandate and constrain how USAID uses the funds. Again, it is not that these various earmarks and provisions are not well intended and seek to advance worthy objectives. No one doubts the value of providing funding for the enumerated health diseases, basic education, democracy, microenterprise, water, etc. These are all objectives that contribute to sound development. It is that locking in the funding restricts the ability of the agency to respond to changing circumstances and priorities—both U.S. and local. What rational organization or person sets a budget a year or two or three out and then rigidly sticks to it? Why does a Washington-based professional—whether from Congress, the NSC, an NGO, or a think tank—believe he or she knows what is best for a country that is thousands of miles away a year or two out from the time the budget takes effect?

Congress does not think up these earmarks by itself; many are the result of advocacy from mission-driven civil society organizations. In advocating for earmarks for specific good causes, what gets lost is attention to the overall dynamic of development—the complex of policies and objectives that produce long-term sustainable development. If all elements that contribute to development had their advocacy group, then maybe the budget would be more balanced. But, for example, a critical element of development, recently reinforced with the adoption of the SDGs, that lacks an advocacy group is economic growth, covering areas such as the business-enabling environment, financial institutions and rules, and commercial policies and regulations. Where is the advocacy group and earmark for economic growth, for infrastructure, for urban development, for youth, for independent research institutes (something USAID was instrumental in creating in earlier decades), for transportation?

It is important to note that Congress does not always earmark the programs it authorizes and funds. It has several times, specifically when a region of the world suddenly was perceived as important to U.S. national interests, provided funding without sector or country earmarks. In the 1980s, under the Development Fund for Africa, an initiative to tackle poverty, Congress authorized and appropriated a single pot of money for Africa. In response to the fall of the Berlin Wall, the SEED (Support for Eastern European Democracy) Act and the FREEDOM (Freedom for Russia and Emerging Eurasian Democracies and Open Markets) Support Act authorized a regional program of assistance to the countries of Central and Eastern Europe and the former Soviet Union, respectively. Eventually country earmarks crept into the annual appropriations bill, but not sector earmarks. The MCC receives a single pot of un-earmarked funding.

Similarly, the presidential initiatives launched under the last two presidents—HIV/AIDS, malaria, girl's education in Africa, food security, power in Africa—are all important and worthy causes. But they are priorities that are set in Washington and that take funding away from uses that may be more urgent and of higher value in some countries. No one questions the critical importance of stemming the HIV/AIDS pandemic, but is the amount of U.S. assistance allocated to this scourge appropriate in countries in which other diseases may cause more deaths and to the near exclusion of other development priorities, as is the case in some countries in Africa? The White House demands reports and close tracking of the implementation of presidential initiatives, and those demands can lead to control from Washington that prevents implementation to fit local circumstances.

USAID Regulations and Processes

USAID is not just the victim in this story. It is also a culprit. Its policies, regulations, and procurement processes can be so rigid as to limit responsiveness and creativity. USAID staff often complain that legislative provisions limit their flexibility. Fair enough. But they need to look at their own rules and regulations, processes, and culture. The basic USAID guide book, the ADS, which is currently being updated and simplified, totals several thousand pages. The FAR (Federal Acquisitions Regulations) sets procurement rules for all government agencies.

The dynamic driving staff in following the multitude of rules and regulations is too often risk avoidance—the focus is on compliance and avoiding litigation—rather than on what makes for good program implementation. An implementer reports that under one program small grants (under $25,000) are accompanied by 63 pages of compliance requirements—assuming, of course, recipients can decipher them. An observer of USAID processes said that U.S. businesspersons being briefed by USAID staff on how to work with USAID reported feeling like a bucket of molasses was being poured over them. There are many complaints within and outside the confines of USAID of contract officers acting like program officers and usurping the role of the technical officer to manage and adjust projects.

There is no question that USAID is subjected to a mountain of government-wide and USAID-specific rules and regulations. But these restrictions are not always the fundamental problem: by some assessments flexibility and leeway for individual judgment are embedded in the rules as well.

A principal cause of the refusal of USAID staff to utilize the flexibility found in federal and USAID rules and regulations is concern over risk. USAID can undertake a hundred successful projects, but it is the one sour one that gets reported on the front page of the *Washington Post* or picked up by a member of Congress seeking a headline. USAID staff are cowed for fear of being dinged by the USAID inspector general, an agency lawyer, or a contracting officer, and their careers blocked, for a rule not followed no matter what the circumstances or justification for use of judgment. USAID staff have been trained to be risk adverse. U.S. policymakers, in the executive branch and Congress, admire the innovation of risk taking of Silicon Valley, yet shun it for government bureaucrats and instead accept cumbersome, lengthy procurement processes.

To their credit, some pockets within the agency are recognizing there is more flexibility then generally acknowledged and are experimenting with more flexible mechanisms**.** The Global Development Alliance (GDA), introduced in 2001 as a specific form of a public-private partnership, allows the agency to work directly with potential partners without going through the normal procurement process.

The USAID Global Development Lab has been particularly active in bringing innovations, such as the use of digital technology, satellite imaging for measuring, crowdsourcing data, and big data and real-time data, to agency programs. It has initiated innovations that move beyond the mentality of "not invented here" and are more adaptive to the marketplace. It has initiated two approaches that invite proposals for meeting specific development outcomes with solutions designed outside USAID. The Development Innovation Ventures (DIV) is an open fund that invites unproven concepts and funds winning proposals in stages. If success is demonstrated in the initial phase, funding is made available for a second phase at a higher level; if that is successful, then funding is available for a third and higher level of funding. Another approach, Grand Challenges and Prizes, are used to attract and fund solutions to specific challenges that USAID identifies. Both approaches use the marketplace to put forth solutions which USAID, and in some cases other partners, assess and fund.

The lab is leading the agency in using a new instrument called the BAA (Broad Agency Announcement), or DIA (Development Innovation Accelerator),[36] that involves the agency posting a call for statements of interests on a particular topic. Upon evaluating the statements, the agency selects specific organizations to engage in an open conversation on co-creating a solution, which is then subject to peer review, following which the agency may enter a relationship with the creators to support the project. Over a two-year period (beginning May 2014) the agency has entered into over 50 awards through the BAA process, ranging from solutions to Ebola and Zika to private-sector activity, agriculture, and protection for vulnerable groups in Haiti.[37]

The lab was launched only in April 2014, so results are limited. The concepts of these initiatives appear to offer USAID a more flexible, market-oriented way to identify new development solutions. Time and experience will demonstrate the extent to which these innovations are successful and transformative.

The PPL Bureau is investigating the use of Adaptive Management to encourage program/project modification to fit changing circumstances. It is simple in concept—allow ongoing projects to experiment with alternative modes of implementation and to make adjustments to fit changing circumstances and new information—but it requires behavior and rules changes in order to work. Funding instruments need to provide greater flexibility and be less directive. Adaptive Management is an iterative process that requires collaboration, can be time consuming, and requires continuous learning and openness to new information. It requires monitoring for context as well as for performance.

One other approach to introducing flexibility and individual judgment can be learned from the recent experience of DFID in the U.K. Its *Smart Rules*[38] seeks to improve program delivery by replacing rigid rule-based programming with a principles-based approach—discretion and flexibility instead of reams of rules and regulations—and putting trust in the judgment of those on the frontline of development. This could be a way to reinforce local ownership and respond to the critique of former USAID Administrator Andrew Natsios of the dysfunctional layers of bureaucracy and excess control in USAID.[39]

Decentralization and Responsiveness to Local Needs

A key element of the ability of development programs to be responsive to local needs and priorities is the degree of control between headquarters and country missions. There has been an ebb and flow over the decades of the extent of flexibility and autonomy for USAID field missions. In general, central control prevailed in the 1980s, followed by decentralization in the 1990s and a return to central control in the 2000s. As noted earlier, the business community determined several decades ago that moving decisionmaking closer to the customer produces the best results. A recent academic analysis, drawn from culling a wide range of literature on autonomy and compiling a database linking degree of autonomy with performance for over 14,000 development interventions over 40 years, concludes that the greater the organizational autonomy, the better the performance.[40] This is especially the case in fragile, difficult environments as interventions must fit the specific context and judgment used for continual adjustment. Another analysis, and a subsequent discussion, concludes that the best solution in many developing countries requires a "best fit" that is suboptimal to "best practice" but that fits the local context.[41] Again, adopting a "best fit" requires flexibility and judgment in implementing development programs.

The Washington-driven initiatives of the Bush and Obama administrations shifted the balance of decision-making from the field to Washington. Further, despite a strengthening of USAID, State Department officials continue to second-guess and interfere, rather than just inform, the management of assistance programs. Together these two dynamics confuse accountability, weaken the professionalism of U.S. assistance programs, and conflict with the priority of local ownership.

The trend to centralize has been bolstered by the growing demand of stakeholders for reporting on results and aggregation of data on program outcomes. Further, every administration wants to put its stamp on development with its own initiatives. Big initiatives do have a constructive role to play in setting priorities, focusing efforts on emerging issues, and building political support. The challenge is to find ways to provide for flexible implementation within presidential initiatives and to roll up the data on results within a decentralized implementation framework.

To be clear, flexibility and local ownership are not the ideal in all situations. Certain basic development activities have known solutions, with proven replicability such that the donor agency knows what it is looking for and how to procure it. Certain development objectives—promoting democracy, human rights, girls' and women's education and empowerment—that are important to U.S. policy and will be part of our development agenda may not have high priority for local stakeholders. There are certain countries with such dysfunctional, corrupt, autocratic governance that the government is not a good development partner and the space for local ownership is limited, except possibly within civil society.

Recommendations

- **Effectiveness is the means**: Congress and the executive branch, jointly with civil society, need to come to a common understanding, through a global development strategy or by an administration policy statement confirmed by congressional consent, that effectiveness and results—long-term impact—are overriding objectives of U.S. foreign assistance programs; that presidential initiatives, congressional earmarks and directives, and civil society actions will be judged according to that litmus test; and that flexibility and contextualization in implementing assistance programs is essential to effectiveness.

- **Alternative approaches to bring flexibility to accounts and earmarks**:

    ➔ **Have a single development account**: Development is a multifaceted dynamic. Communities don't progress solely through education, or health, or democracy, or private enterprise. It takes all the above and more. Seldom is a project just about health, education, or business; it usually involves several of those plus governance and engaging civil society. So, start at the top by getting rid of the antiquated, restrictive sector silos and let that filter down into the design and implementation of locally owned, integrated development (integrated meaning that projects include activities from multiple sectors), as is advanced by the development movement Locus.[42]

    ➔ **Earmark everything:** Working from the premise that a budget needs a certain number of funding accounts for purposes of accountability and priority setting, and that Congress will not forgo its constitutional right to set funding levels nor reject civil society pressures to weigh in on sector priorities, the alternative to *most* elements of development assistance being earmarked is to earmark *all* funds. Return to the practice of the 1970s in which development assistance was divided into five or six functional accounts. Today those accounts might be health, education, democracy/human rights, agriculture/nutrition, environment, urban affairs, and economic growth. Earmarking all funds will lay the foundation for a full understanding and discussion that when funding for one account is raised it results in a reduction in funding for another account (unless overall funding for development is increased). In other words, when funding priorities are set, it is clear what the tradeoffs are and who gets hurt.

    ➔ **Earmark sectors or countries:** Congress should make a choice— earmark either sectors or countries, not both. Decide which is more important for Congress to direct and which has greater salience with political constituencies, and limit the earmarking to that arena.

    ➔ **Identify the disconnect between U.S. funding and local priorities:** The revised USAID guidance on the program cycle[43] authorizes missions to develop alternative budget scenarios in the CDCS, one based on recent budgets and a second on country mission priorities. Direct the Government Accountability Office (GAO) to analyze this second category of budgets across all CDCSs to assess the extent to which the allocation of funds across accounts reflects funding priorities determined at the country level. The result of that analysis can provide useful information and guidance for the administration and Congress, and also be instructive for civil society, in setting budget priorities.

- **Leave 20 percent undesignated:** Reserve 20 percent of the budget of country missions and other operating units to be undesignated so that funds are available to respond to changing local needs and priorities.

- **Success requires risk**: USAID needs to become more adept and comfortable with risk management. Congress is key to the solution. The overriding objective of making assistance effective and results-driven requires experimentation and innovation. Congress needs to buy into this, even push it, and direct the agency to refocus its rules and regulations to encourage smart risk taking. One way to approach the issue, to gain comfort, is to look at the experience of the Global Development Lab in introducing innovation and calculated risks in supporting new, untried solutions with modest, gradual funding.

- **Support Adaptive Management**: The new Congress and USAID leadership should support the work of PPL on Adaptive Management to facilitate change in the midst of project implementation as a way to improve the effectiveness of assistance.

- **Asses the BAA**: The agency should evaluate the two-year experience with the more flexible BAA to determine how broadly it can be applied throughout USAID's work.

- **Look at Smart Rules**: The new USAID leadership should take a serious look at DFID's experience with Smart Rules.

- **Decentralize decisionmaking**: The locus of decisionmaking in setting priorities at the country level and in implementation needs to be rebalanced by providing a larger role and more flexibility for the field. Further, the relative roles of development experts and diplomats should be delineated in a manner that respects development expertise to design and manage development programs while providing for informed input from diplomatic counterparts.

- **Design flexible presidential initiatives**: Presidential initiatives should be designed with flexibility in implementation and decentralized decisionmaking.

F Bureau and State Department Coordinators

The past three decades have seen a growing Department of State incursion into the development and foreign assistance space. The department has always had considerable authority over Economic Support Funds (ESF). The ESF account was created to provide assistance to advance critical foreign policy goals for select countries, and the State Department exercised authority for allocation of funding but not for programming. That was left to the implementing agency, usually USAID. The department had a central office for assistance, the Office of Resources, Plans and Policy (S/RPP), with the responsibility to advise the secretary on assistance issues.

The department's role expanded with congressional enactment in 1989 of the SEED Act to support the transition in Poland and Hungry (later extended to all of Central and Eastern Europe). In response to the George H.W. Bush administration proposal to funnel support for the transition through several domestic agencies, Congress included in the SEED Act the creation of a coordination function in the Department of State. This same dynamic was repeated in 1992 with the enactment of the FREEDOM Support Act to support transition in the states of the former Soviet Union.

Then in the mid-1990s came Jesse Helms' effort to merge the U.S. Information Agency, the Arms Control and Disarmament Agency, and USAID into the Department of State. He succeeded in merging the first two, and USAID lost a degree of independence in that its direct line of authority to the Office of Management and Budget (OMB) and the president was re-routed through the secretary of state. The Foreign Affairs Reform and Restructuring Act of 1998 established USAID as an independent agency, under the foreign policy direction of the secretary of state, who was also authorized to coordinate development and other economic assistance. Consistent with that act, President Bill Clinton issued an executive order[44] to designate authorities to the secretary of state, and Secretary of State Madeleine Albright re-designated certain authorities to USAID.

A further incursion came with the George W. Bush administration's creation in 2002 of the Middle East Partnership Initiative in the State Department, which carries out USAID-type assistance projects in the region.

The final and most recent expansion of the State Department's engagement in development was the 2006 action by Secretary of State Condoleezza Rice to abolish the USAID offices of policy and budget and move those functions and much of the staff to the new F Bureau. Secretary Rice replaced Secretary Albright's designation of authority with a revised one[45] that authorized the director of foreign assistance to act on her behalf.

In 2010 the Obama administration restored to USAID its policy function (the Bureau of Policy, Planning, and Learning) and some of its budget function (the Office of Budget and Resource Management), but effectively left F in charge of USAID program budgets. Secretary Clinton's revised delegation authority[46] left most of Secretary Rice's delegation in place, thereby not restoring budget control to USAID. The 2010 QDDR provided that "USAID will be given the primary role in executing the budget for development programs it manages, including flexibility to shift in-country resources as needed to respond to urgent challenges"; yet it also placed with the deputy secretary of state an explicit role in managing USAID's program budget.

So, to follow the lines of authority, under the Rice configuration the administrator of USAID reported to the director of foreign assistance, who reported to the secretary of state. In other words, the Bush administration holders of that dual-hatted position, first Randall Tobias and then Henrietta Fore, essentially reported to themselves and then directly to the secretary. With the change in the Obama administration, the administrator was not designated as the director of foreign assistance and the F Bureau was put under the authority of the deputy secretary (making the head of F the equivalent of an assistant secretary). So, for matters involving the budget, the administrator was no longer in fact reporting to the secretary but two rungs below, to the equivalent of an assistant secretary. The QDDR provision giving USAID primacy in executing its budget was never implemented.

It is important to note that the relevant provisions in the SEED Act and FREEDOM Support Act are about coordination, not management. The SEED Act directs the president to "designate, within the Department of State, a SEED Program coordinator who shall be directly responsible for overseeing and coordinating all programs described in this Act…."[47] The FREEDOM Support Act includes the same authority in more detailed language, and also directs the coordinator to design an overall assistance and economic cooperation strategy for the region.[48]

It is significant how these authorities have played out in practice. As of June 2013 the F Bureau had 116 staff positions, half of which (57) were filled or designated to be filled by USAID staff or USAID contractors. Despite the Obama administration's actions to restore USAID's budget function and build it into a first-class development agency, the DFA retains approval authority over budget formulation and allocation of USAID accounts, as well as operational plans, reprogramming, and funds control. In reviewing the workload of the staff, F has 42 analysts performing regular oversight on regional and pillar programs, some of which are solely USAID accounts, whereas BRM has 10 analysts of a similar nature. F staff is reviewing, approving, and exercising oversight over some 38 operating units that are solely, or almost solely, funded by USAID. Some of the USAID staff in F are responsible for accounts that are mostly in the security realm or otherwise outside USAID staff expertise. In FY 2015 USAID spent $7 million on its staffing of F.

This arrangement raises serious questions. Why is F duplicating the work of BRM on accounts that are solely in the purview of USAID? Why does F exercise control over USAID accounts for which the USAID administrator is responsible yet BRM is not in charge? When the QDDR sanctioned PPL and BRM, why were not relevant functions reassigned back to USAID?

In addition, why does USAID provide half the staff of F but not receive commensurate benefit? Why is the State Department not covering the compensation of USAID staff working in F? Why does BRM have one staffer covering Africa and F six?

As to other assistance coordination functions at the State Department, in 2011 the FREEDOM and SEED Act coordinators were joined together into EUR/ACE (Office of the Coordinator of U.S. Assistance to Europe and Eurasia), reporting to the assistant secretary for Europe. As of July 2015 that office had a staff of 26. In 2013 the department established a coordination office for the Near East Bureau, NEA/AC (Bureau of Near Eastern Affairs, Office of Assistance Coordination), which also houses MEPI and which had 68 positions as of January 2015. In addition, remaining from the Haiti earthquake is a coordinator for assistance to that country.

The issue is not whether the Department of State has an interest in development assistance, nor whether it should inform the deployment of that assistance, nor whether it should coordinate its work with that of other agencies. There is considerable overlap in the missions of the Department of State and USAID, and it is critical that the two agencies work together to sort through the appropriate tools to use in a particular situation and to coordinate their policy and assistance efforts, a useful role for an office such as F to play. It can help set priorities and identify tradeoffs between competing interests and views. The issue is the parameters of the coordination function. Webster defines coordination as “the process of organizing people or groups so that they work together properly and well” and Cambridge as “the activity of organizing separate things so that they work together.” These definitions say nothing about “control” or “management,” yet that is what these State Department coordination functions frequently do or attempt to do.

Having two or more agencies with duplicative and overlapping functions confuses administration, weakens accountability, and delays and complicates decisionmaking and actions.

Several of the coordination functions—the FREEDOM Support Act, the SEED Act, and Haiti relief—were created at the time of a major shift/challenge in U.S. foreign policy, a time when the United States needed to develop a new strategy across the government. U.S. policy was in flux, these regions/countries were presenting new challenges and opportunities for U.S. foreign policy, and decisions that lacked precedence and clear guidance needed to be made by someone who had the authority, stature, and willingness to make decisions and had direct access to the top of the policymaking pyramid. In that situation, having a prominent person who could bring together key agencies and communicate with the secretary of state and even the president, and who could speak as the senior U.S. policymaker on these matters, made sense and was important in developing a coherent U.S. policy. The transition in the former Soviet Union and Eastern Europe was at the time expected to be a medium-term task—five to seven years—and the assistance and the coordinator function temporary. Today, basic policy and programs to these regions/countries have become set and these functions routinized.

EUR/ACE does not really play the critical, interagency coordination role that was intended in the legislation. It has little or no authority with respect to policies and programs of other key agencies such as DOD and Treasury, and even within the State Department INL (Bureau of International Narcotics and Law Enforcement Affairs) largely goes its own way. It is most influential only over USAID, in which case much of its functioning duplicates USAID's responsibilities. The structure of EUR/ACE is antiquated, as Central Asia remains within its purview but USAID has transferred that region from the Europe and Eurasia Bureau to the Asia Bureau. The same goes for F, which goes beyond just coordinating with USAID—it exercises authority and control—but has little influence over other agencies. Finally, where coordination is most important on a day-to-day and program level is at the country level, and that happens within an embassy under the authority of the ambassador, not in Washington.

While there is considerable tension between USAID and the Department of State over control of foreign aid funding and implementation decisions, it also is important to recognize that there is considerable cooperation among officials of the two agencies, especially among professionals of good will who value and respect the role and expertise of the other agency. The two agencies often share overlapping interests and programs in advancing U.S. interests and collaboration is generally constructive. While bureaucratic relationships can be affected by quirks of the personalities involved, it should be possible to design the structure in a way that maximizes agency effectiveness and achievement of objectives.

Recommendations

The new administration, during the transition period or a third QDDR, should review the roles and responsibilities of assistance coordination offices in the Department of State:

- **F & State Department coordinators—start afresh:** Start with a blank slate by eliminating F and the several State Department coordinators, and design a structure that provides the Department of State with the information it needs on its own assistance programs and those of other agencies, provides the department with the opportunity for regular input on the assistance policies and budgets of other agencies, and allows it to effectively manage its own assistance programs and coordinate with those of other agencies.

    - ➔ **F & regional coordinators**: Review and sort through the State Department's appropriate coordination roles and determine whether they are better served by a central office or by the regional bureaus.

    - ➔ **Alignment**: Align the functions of F, EUR/ACE, and the NEA coordination office to their proper role in coordination, not in control and management.

    - ➔ **Staffing levels:** Review the staffing levels of the State Department assistance coordination functions in relationship to other staffing needs of the department and the relative importance of the assistance coordination function compared to other staffing priorities of the department. One place to start is asking the basic question of what would the F staffing level be if the State Department had to allocate its personnel and budget to cover those costs?

- **Restore USAID budget authority:** Restore to USAID control over those funds for which it is responsible; align the respective functions of F and

BRM to fit USAID's control of its funds to its fiduciary and program responsibilities; give USAID the authority to submit to OMB its budget requests and decisions regarding implementation and reprogramming, while providing for close coordination and discussions with the State Department.

- **Establish a Goldwater-Nichols exchange:** Enhance understanding, coordination, and reciprocal input through establishing a Goldwater-Nichols-type exchange of personnel[49] whereby staff of foreign affairs and national security agencies are required or expected, for promotion to senior positions, to serve tours in other agencies. Specifically with respect to State and USAID, a few State and USAID officers serving a tour in the regional bureaus of the other agency would bring the other agency's expertise and knowledge to that bureau and over time build a deeper understanding of the operations of the other agency and closer working relations.

Strengthening Accountability

Accountability involves monitoring, evaluation, learning, and transparency. Achieving accountability requires spending U.S. development dollars on management, oversight, data, and information, all of which are required for effective implementation and reporting on program outcomes.

The Bush administration left a mixed record on accountability. On the one hand, it closed USAID's Center for Development Information and evaluations fell into disuse. But the MCC was founded on accountability and quickly became the most accountable foreign affairs agency. It is recognized for its transparency and for building into compacts performance and impact evaluation. The MCC bases country eligibility and other decisions on hard data and focuses and reports on results.

The Obama administration has built a solid record on accountability. It has expanded on the foundation built at the MCC, such as by making the results of impact evaluations—both the good and the bad—publicly accessible and using them for learning, and in releasing data on the economic rate of return of 94 closed-out projects. The administration has given priority to evaluation and transparency at USAID and other foreign affairs agencies.

Strengthening Evaluation

Evaluation is an important element of PPD#6. In 2011 USAID issued a new evaluation policy[50] that received commendation from the National Association of Evaluators. The agency completed 1,179 evaluations between FY 2011 and 2015, compared to 670 in the prior five years.[51] Evidence of USAID taking evaluations seriously is the two meta-assessments it commissioned, one in 2013 on the quality of USAID evaluations[52] and a second in 2015 on the utilization of USAID evaluations.[53] The assessments reported that progress had been made but that more was needed on both the quality and utilization of evaluations.

The agency faces a number of challenges in getting full value from evaluations. USAID is often criticized for giving priority to accountability over program implementation, and in the area of evaluation it faces the tension of using evaluations for accountability versus learning. While the agency has trained over 1,600 staff in evaluations,[54] it still lacks sufficient staff with deep expertise in designing and conducting evaluations. Its rules and processes interfere with the flexibility needed to make changes to activities based on information generated by monitoring and evaluation. Too often, the timeframe for an evaluation is insufficient to complete a thorough assessment.

There also is the trade-off between performance evaluation and impact evaluation. The latter is valued because it can produce rigorous data linking project inputs to results, but such feedback needs to be designed into the project from the start, is expensive, and for many projects is not applicable. The quality of evaluations can be constrained by poorly crafted questions, by a scope of work that prejudges the outcome, and by insufficient flexibility for an evaluation team to pursue an unexpected line of inquiry that surfaces during the research.

While there is a raging debate over performance and impact evaluations, there has been insufficient attention to ex post evaluations—evaluations undertaken two-to-five years after completion of a project. It is ex post evaluations that get to the root of the issue of sustainability. A 2015 synthesis report of twelve ex post evaluations across four countries on programs of the USAID Office of Food for Peace demonstrates the lessons that can be learned, including that "…focusing exclusively on demonstrating impact at exit may jeopardize investment in longer-term sustainability."[55]

The meta-study on utilization revealed that evaluations are used principally in designing projects, secondarily for modifying existing activities, and seldom in policy formulation. Evaluations are generally disseminated to USAID staff but rarely to country partners. Most evaluations are of individual projects and a few are at the sector level, but they rarely focus on policy.

A major issue is how to translate the information and findings in evaluations into learning. In the 1980s, USAID had more of a learning system. The inclusion of at least one agency employee in an evaluation was typical, as were discussions of evaluations organized by program area, lessons consolidated through meta-evaluations at the program level, and conferences to review and discuss changes to policy.

To date, efforts at learning have been isolated rather than systemic and agency-wide. Eric Postel, head of the 3E Bureau (Economic Growth, Education and Environment) set one model when he tasked his staff with reviewing and collating lessons learned in evaluations relevant to the portfolio of the bureau. The Center of Excellence on Democracy, Human Rights, and Governance has sponsored 21 impact evaluations and is using those findings and academic research to strengthen the evidence base of its policies and programs. The Bureau for Food Security has produced a meta-evaluation of 196 evaluations on Feed the Future.[56]

The independence of evaluations also merits attention. As evaluation has grown over the past five years into a business line worth hundreds of millions of dollars, it has attracted many diverse actors, including firms that also implement USAID and other donor programs. USAID and the U.S. government more broadly need to ensure there are solid firewalls to prevent data and information generated by evaluations from seeping into the implementation business of a firm and to ensure that evaluations are truly independent from other corporate interests. The objectivity of evaluations also comes into question when USAID engages the firm conducting an evaluation in back-and-forth negotiations over the substance of the final report.

Evaluation needs to be built into the design of projects and funding set aside as required by the recently revised program guidance.[57] There is no right level of funding for evaluations; it will vary among programs and projects. But the agency has not come close to the aspirational level of 3 percent that is suggested in its evaluation policy and the revised program guidance.

While USAID has made a commendable effort in making more of its information and documents publicly available through the online Development Experience Clearinghouse (DEC),[58] the clearinghouse has no structure or systematic protocol to filter an inquiry, making it nearly unusable for many queries.

Rather than these various challenges being an indication of evaluation and learning failure at USAID, they are more appropriately understood as a result of progress—the challenges that naturally accompany serious effort in advancing evaluation and learning.

Evaluation at the Department of State is in its infancy. Its policy is not as robust as USAID's, and evaluations are rudimentary. The department lacks a history and culture of measurement and openness to assessing its policies and programs and exposing them to external critique. The department conducted 20 evaluations in 2012 and 120 in 2014, and by 2015 it had trained 150 staff in evaluations. It updated its evaluation policy in early 2015[59] to require each bureau and office to undertake only a single evaluation each year of a major program. In 2012-2014, evaluations were shared only internally; the updated policy authorizes bureaus to publicize summaries of evaluations, but they also are allowed to publish the full evaluation. To her credit, in early 2016 Undersecretary Sarah Sewall called for State to strengthen its monitoring and evaluation,[60] but doing so will require a significant cultural shift for the department.

Strengthening Transparency[61]

Transparency is another component of the accountability agenda. OMB and the White House have issued several directives mandating open data.[62] Secretary Clinton committed the United States government at the 2011 Busan High-Level Forum on Aid Effectiveness to publish its assistance data in compliance with the International Aid Transparency Initiative. The record has been mixed. MCC took the commitment to heart and has been a global leader on aid transparency, scoring number one globally in the 2013 Aid Transparency Index and number two in the 2016 index.[63]

The track record of other agencies is different. None took the commitment to IATI as seriously as the MCC. All started with weaker data collection and with antiquated as well as multiple information technology (IT) systems that were not joined up. Many agencies were collecting data required by IATI but in incompatible formats that could be linked to IATI.

By 2013-2014, when several of the agencies began taking more seriously the commitment to be fully IATI compliant by the end of 2015, they faced a steep uphill climb. USAID created the most coherent plan in June 2015—a four-phase management plan[64]—the first three phases of which were near completion by late 2016. The fourth phase is not yet formally approved but is built into the recently initiated Development Information Solutions, so depends on the completion of that IT system. The Department of State also wrote a four-step plan, but the first three phases are studies rather than concrete actions.[65]

Transparency is important not just for sharing data and information but also in policy formulation. The Bush administration was not known for being particularly open, but it did pursue active consultations with the NGO community in designing the MCC. During the Obama administration, USAID adopted early policies with little consultation, but in 2013 PPL used a highly consultative process in designing its urban services policy,[66] a process that subsequently has served as standard practice for the bureau in formulating new policies.

Recommendations

Evaluation

- **Evaluation culture.** USAID needs to further advance a culture of rigorous evaluation through expanded staff training; appropriate incentives; objective and well-crafted scopes of work with sufficient flexibility to address unexpected lines of inquiry as well as adequate timeframes; establishment of a comprehensive learning agenda to use the evaluations of other organizations and to share and discuss broadly within and outside the agency findings and lessons from evaluations, program management, and field experience; and establishment of evaluation as a career backstop.

- **Independence of evaluation:** USAID needs to take steps to safeguard the integrity and independence of evaluations and of the firms undertaking them.
- **Impact evaluation**: USAID should employ impact evaluations where relevant.
- **Policy evaluation**: USAID should undertake more evaluations of its work at a sector and policy level.
- **Ex-post evaluation**: On a selective basis, USAID should undertake ex-post evaluations two to five years after an activity ends to determine the sustainability of the intervention.
- **Design and funding:** USAID needs to build evaluations into the design of projects and ensure adequate funding for evaluations and either set a specific target for program funding of evaluations or establish guidelines for the appropriate level of funding for evaluations of different types of programs and projects.
- **Learning agenda:** USAID needs to establish a comprehensive learning agenda to share and discuss broadly within and outside the agency the findings and lessons from evaluations, program management, and field experience.
- **State Department practice:** The department needs to internalize the lessons from the MCC and USAID that rigorous evaluations are essential to informing good policies and programs and adapt their models in line with the State Department's mission and operations.

Transparency

- **Policy transparency:** USAID should institutionalize across the agency the PPL process for policy and program transparency—broad consultation on policy changes and strategy development.[67]
- **Data transparency:** U.S. foreign affairs agencies should complete the process of becoming fully compliant with IATI—toward the goal of a system that automatically loads data and other information on all U.S. government assistance activities to IATI, on at least a quarterly or, preferably, monthly basis.
- **Data usage:** The aid data transparency effort to date has focused mainly on making data available. But the effectiveness of data transparency depends on data being accessible, relevant, and useable. It is essential to help developing countries built the capacity to use the data.
- **Contract transparency:** USAID should ensure compliance with policies and regulations that require public availability of contracts and grants—original documents, quarterly/annual management reports, and evaluations.

Local Ownership—Greater Self-Reliance—Sustainability

At its core, local ownership starts with listening to local voices and priorities, but more importantly it must encompass local partners as the actors. It is about giving local institutions agency and sustainability. It does not mean forsaking international expertise; it is about bringing that expertise and experience to the priorities and needs of indigenous actors to empower them.

The overriding importance of local ownership is directly tied to other aspects of aid reform. Development will not advance if our assistance does not respond to local priorities with ownership by local institutions and leaders. Local ownership can best be advanced by a USAID that has greater autonomy from the day-today pull of U.S. foreign policy and from policymakers less concerned with long-term development, and by a USAID that provides significant authority to its country missions.

The Bush administration made local ownership foundational to the MCC. Rather than the typical approach of the donor identifying its priorities for a country and designing programs around those priorities, the MCC joins with the partner government in a comprehensive analysis of the constraints to growth in that country. That analysis lays out key barriers to growth from which the government identifies priorities for working jointly with the MCC. Granted, the MCC does not just readily accept a proposed program and often rejects parts and negotiates around the rest, but the MCC responds to the country's initiative. An important aspect of country ownership is that it not just reflect the government's priorities; the MCC insists that a government develop its proposed program through broad civil society consultation. Country or local ownership is seen not as "government ownership," but as broad-based "national ownership."

The Obama administration has taken local ownership government-wide, especially to USAID. Local ownership is a core part of PPD#6 in the form of responding to country priorities and national plans based on broad consultations, and is a central element of USAID Forward. That plan established the benchmark of USAID channeling 30 percent of its total funding directly to local entities, government and nongovernment, starting from a baseline of 9.7 percent in 2010. The latest report on USAID Forward indicates the agency reached a level of 26.7 percent in 2015. However, this calculation includes cash to governments and qualifying trust funds, which were not included in the original calculation of the base. Using only the components of the original baseline, the agency reached 18.6 percent in FY 2015.[68]

While the 30 percent goal has rightly been criticized as arbitrary and void of any indication as to whether local ownership is real and helping to set local organizations on a sustainable path, the objective has served the intended purpose of prodding staff agency along what is not an easy path. Given a culture comfortable with dealing with Western organizations, processes that require a sophisticated knowledge of USAID contracting requirements, concerns over risks, and the inadequacies of local capabilities, the challenges in moving USAID missions and programs to using local organizations in a responsible manner have been considerable. To bring agency staff along, USAID has held workshops and discussions, trained staff, and issued a policy on local systems.[69]

An ongoing discussion involves how to move beyond the crude 30 percent indicator to identify benchmarks that will assess the quality of local capacity building and local content. USAID has adopted the frame posited by the Modernizing Foreign Assistance Network (MFAN) of looking at local ownership through three lenses—priorities, implementation, and resources[70]—and is actively deliberating on various possible indicators to benchmark progress on local solutions. USAID deserves praise for its open dialogue with MFAN on local ownership and its openness to outside ideas.

The drive for local ownership has been accompanied by recognition of the need for local organizations that are capable of effectively and responsibly using U.S. government funds. The key, and difficult, aspect of this task has been to build the capabilities of local organizations more broadly than just making them competent to bid on USAID projects. In addition, the focus on local capacity has led USAID to recognize the importance of countries being able to finance their own development. USAID, working with the Department of the Treasury, has been a leader in the global effort to build the capacity for Domestic Resource Mobilization, which received particular attention at the 2015 Third Conference on Financing for Development in Addis Ababa.[71]

The Obama administration's Partnership for Growth[72] is a White House-led interagency exercise designed to help select governments identify constraints to their country's economic growth and figure out how both their government's policies and U.S. policies and assistance can help reduce those constraints. Four pilot countries (the Philippines, El Salvador, Ghana, and Tanzania) were selected. The Philippines project is completed, and the USAID mission is considering a follow-on program. The El Salvador project has advanced, the Ghana project is delayed, and the Tanzania project has been folded into Power Africa. The original idea was that the plan for each country would reach beyond U.S. assistance activities to other U.S. government policies that might benefit growth, but the result has principally been a reorientation of the USAID portfolio to deal with country constraints.

The fundamental objective of local ownership is to help countries take charge of their own development and to do so sustainably. But assistance programs are often focused on delivering relief and services that may result in successful projects and immediate impact but not necessarily long-term development. For very poor countries as well as those beset by conflict and fragility, focusing on the immediate needs of citizens for basic services and a functioning government is appropriate and often the best a donor can do. But for countries that have reached middle-income status and are able to mobilize domestic and private international resources, U.S. assistance can reinforce that evolution.

By working with partner countries to identify the capabilities they need to move along a path of increasing self-reliance, U.S. assistance can make a more powerful contribution to their achieving sustainable development—and to entering a more equal partnership with the United States. As recipient countries approach the stage where graduation from assistance is in sight, the U.S. primary objective should be not necessarily to see them graduate from assistance (although that will come) but to enhance their self-reliance. This applies both to DRM as well as to international market finance. USAID's country-focused CDCSs can evolve into identifying ways to promote self-reliance and lay the foundation for sustained collaboration and engagement with U.S. institutions.

Recommendations

- **Local ownership:** Continue USAID's direct engagement in support of local organizations and local capacity building and identify benchmarks for tracking progress.

- **CDCSs and greater self-reliance:** Particularly for more advanced partner countries, use CDCSs to orient U.S. aid strategies to ways in which assistance and other policies can help advance progress toward greater self-reliance and sustainable development.

- **Assessment of Partnership for Growth:** A comprehensive assessment of the Partnership for Growth is in order. Rather than being truly "beyond aid" in focusing on U.S. policies that impact on growth in those counties, the successful Philippine and El Salvador action plans were more a reorientation of the USAID portfolio. Review the Partnership for Growth model to assess lessons learned, including whether or not the interagency process can work without active White House leadership; learn how best and for what countries the model can be deployed; and determine whether the model can be structured to move beyond assistance activities to affect U.S. policies that impact growth. Further, are the results of the constraints analysis sufficiently valuable to justify the time-consuming interagency process? If it results only in a redirection of the USAID portfolio, does that justify the exercise?

Collaboration and Partnership

The Bush administration had a mixed record on collaboration and partnership. At the global level, it developed a reputation for unilateral action rather than collaboration with other countries. The MCC, and particularly PEPFAR, were criticized as being unilateral U.S. initiatives that could have achieved greater impact by engaging other donors, or at least could have had international collaboration built into their designs. On the other hand, the Bush administration, building on USAID's experience of engaging the private sector, launched a concerted program of public-private partnerships, the Global Development Alliance. This effort produced nearly 1,000 PPPs during the eight years of Bush's tenure.[73]

The Obama administration has had a more collaborative approach at the international and national levels. Its Feed the Future was launched at the 2009 G8 Summit with significant commitments from other donors to food security and the creation of a parallel multilateral effort, the New Alliance for Food Security and Nutrition. Power Africa was built on collaboration with private companies and has actively sought participation by other bilateral and multilateral donors, as have initiatives by the USAID Global Development Lab. The administration also took an active and collaborative role in the development of the Sustainable Development Goals and in the convening of the Financing for Development Conference in Addis.

The Obama administration has sustained the GDA, and overall statistics on PPPs are impressive. USAID engaged in some 1,600 partnerships from 2001 to 2014; the total value of the 1,481 PPPs for which there are data is $16.5 billion, and 70 percent of that funding came from non-U.S. government sources. Fifty-three percent of the partners involved in PPPs are commercial entities, and a majority of PPPs with business partners are linked to the partners' commercial interests.[74]

Collaboration and partnership increasingly are the currency of development. This flows from the changing development landscape. For many partner countries, the decline in the role of ODA relative to other sources of finance means its value will come more as a catalyst and innovator rather than in simply financing services. The proliferation of development actors—non-traditional donor countries, foundations, corporations, indigenous organizations, NGOs, universities—means traditional donor agencies are focusing more of their development efforts on collaboration and partnering.

For an agency like USAID, this collaboration includes its sister U.S. government agencies. As countries enter middle-income status and their institutions and needs become more sophisticated, USAID will have to reach beyond its own capabilities—to those in the private and NGO sectors and to other U.S. agencies with specialized competencies—to provide the required expertise. As countries graduate from assistance, a principal objective of a U.S. graduation plan should be to find ways to sustain relationships between institutions in that country and with partner institutions in the United States, both private and governmental.

USAID's culture and practice of collaboration and partnership needs to be deepened, especially with other U.S. government agencies, a step that requires overcoming bureaucratic turf issues. Power Africa has evidenced a high level of interagency collaboration, as was the case with interagency preparation for the SDGs and the World Humanitarian Summit in Istanbul. But interagency relationships are often beset by tension. It sounds contradictory, but the ideal would be consolidating development programs and leadership in USAID and then USAID inviting in the expertise of other U.S. government agencies in program design and implementation.

Recommendations

- **Culture of collaboration:** Build a strong culture of collaboration in USAID. Leverage USAID resources through partnerships with other actors and ensure they are real partnerships that add value through sharing governance, risk, and expertise.

SECTION V—AN EXPANDED AGENDA FOR 2017–2020

Development—More Than Assistance

The rapid evolution of global economic and social dynamics is making the term "developing countries" meaningless or even a misnomer. Many low-income countries have moved into middle-income status, with the sources of their development finance coming mainly from wealth generated within the country and from international market finance, rather than from assistance. For some, their economic dynamism and social achievements rival those of more advanced economies. These countries no longer look to assistance as the development solution. Assistance will remain important for countries stuck in the poverty trap, torn by conflict, devastated by natural and other disasters, as well as for countries of particular strategic importance to the United States. But its relative significance is in decline.

At the same time, other matters—trade, investment, financial regulations, intellectual property rights, monetary policy, immigration, tax avoidance, farm and energy subsidies, management of natural resources, science and technology programs and policies—are coming to the fore in affecting development. While domestic and broader international interests will be the main source of influence in framing these policies, the U.S. government should seek to make these development-impactful subjects consistent with its development objectives. In fact, at times this already happens.

In the category of there is nothing new, President Carter's reorganization plan of 1979 creating the IDCA directed that the agency was to "be responsible for ensuring that development goals are taken fully into account in all executive branch decisionmaking on trade, technology, and other economic policy issues affecting the less developed nations."[75]

Just a few examples of policies that impact development:

- Trade
  - ➔ Trans-Pacific Partnership—The TPP will impact low- and middle-income countries (four are members of the TPP) through a variety of provisions:
    - ○ The rules on transparency and public participation require open government contracting and food safety.
    - ○ Reduction of tariff and non-tariff barriers on agricultural products, restrictive rules of origin favoring certain textile imports from TPP members, and elimination of U.S. tariffs on cotton and rice products will advantage members of the TPP and disadvantaging non-members.
    - ○ Extension of the length of protection of intellectual property will likely raise the price of pharmaceutical products.
  - ➔ Intellectual property rights—There is a healthy debate over whether raising international property rights (IPR) globally to the standards of developed countries works for or against the economic interest of developing countries, and at what level of development and in what sectors advanced IPR standards can be economically productive or stifling. The U.K. Commission on Intellectual Property Rights (2002) determined that at certain stages of development weaker levels of IPR protection are more likely to stimulate economic development.
  - ➔ GSP—U.S. periodic renewal of GSP (Generalized System of Preferences) providing trade benefits for low-income countries is always problematic and often delayed.
- Financial regulations
  - ➔ Dodd-Frank—Section 1504 of the Wall Street Reform and Consumer Protection Act requires transparency of payments related to resource

extraction. In early 2016, Eric Postel, USAID's associate administrator, sent a letter to the Securities and Exchange Commission explaining that a strong Section 12(q) would further U.S. objectives of improved energy- and mineral-industry transparency and governance and contribute to anti-corruption efforts.

- ➔ ERISA—2015 guidance issued by the Department of Labor liberalized fiduciary responsibility under the Employee Retirement Income Security Act (ERISA) to authorize pension funds to consider environmental, social, and governance factors when making investments, thereby allowing them to be viewed as having a direct relationship to economic value and thus unlocking pension fund capital for impact investment and investing in developing countries.

- Taxation
  It is estimated that corporate profit shifting deprives poor countries of $100 billion a year of tax revenues.[76] Development agencies should be strong advocates of global efforts to stem this tide and push their governments and others to adopt the model protocol of the OECD Tax Information Exchange Agreements.[77]

- Bank de-risking
  The compliance and business costs of regulations on money laundering and anti-terrorism are discouraging financial institutions in the United States and other countries from moving small-amount remittances to unstable or fragile countries. Development agencies should be at the forefront of working with their treasury departments to overcome this barrier to trade and financial flows back to home countries either by modifying regulations or developing new solutions. The alternative is that these payments will flow underground and illicitly.

- Farm subsidies
  Agricultural production in many low- and middle-income countries is impacted by U.S. farm legislation that restricts imports and depresses world prices through overproduction stimulated by subsidies. Commodities affected include cotton, rice, sugar, and dairy. The Africa Growth and Opportunity Act (AGOA) provides preferences for African products, but U.S. subsidies can nullify the benefits. To understand the potential reach of trade-distorting measures, cotton provides income for 45 million households and 150 million people in some 80 countries. The current U.S. farm legislation will be up for renewal in 2018, and serious review and deliberations will begin in 2017.

There are two fundamental challenges to introducing development considerations into the range of impactful policies. One is that most policymakers are far removed from the development arena and development considerations do not fall within the parameters of their normal mental frame. The second is the ability of USAID to engage on policy issues beyond development. In this second area, there are two challenges. USAID does not see itself as a broad policy agency—the vast majority of agency staff would rather be overseas and focused on implementation in the field and it lacks sufficient staff with the policy expertise to engage in deliberations on many issues outside of development. Sometimes USAID is engaged in these policy deliberations, but not frequently enough nor with the necessary depth of expertise.

Recommendations

- **Bring development into U.S. policymaking**:

  - ➔ **Government mindset:** A change in mindset is fundamentally needed, an understanding and acceptance by policymakers throughout the U.S. government that development is one of the "3-Ds"—that global development is core to the U.S. national interest and that development-impactful issues deserve serious consideration in U.S. policymaking.

  - ➔ **USAID policy competencies:** One step in moving U.S. development policy beyond just assistance is to build out numbers and competencies of USAID staff, particularly in the Bureau of Policy, Planning, and Learning, but also in the regional and technical pillar bureaus, so the agency and its leadership have the ability to contribute to deliberations on development-relevant policies.

- **Civil society needs to engage beyond aid:** Civil society has an important role to play in expanding the development agenda. Much of the development community has a narrow focus on assistance and should begin to engage beyond aid to other issues that increasingly impact development. It should take a page from the few NGOs like Oxfam that have a broader agenda. Oxfam has contributed in recent years to serious research and advocacy on major non-aid development issues. Ten years ago it produced a balanced analysis on international trade. Several years ago it launched Beyond the Brands to work with and call out major global food and beverage companies on their impact on poor communities and the planet.[78]

Humanitarian assistance and the intersection with development[79]

Humanitarian assistance

Conflict and fragility hinder the struggle against hunger and poverty. Global humanitarian needs have exploded and are dominated by long-term population displacements, civil war and instability, and a rising number of climate-related natural disasters. The humanitarian system does amazing work in saving lives, but the 50-year old architecture, both the U.S. and global, is inefficient and requires updating. The increasing intersection of humanitarian and development needs demand that siloed approaches be broken and replaced by long-term solutions that reach root causes, build resilience, and integrate recovery and development efforts. Accounting for one-third of global humanitarian assistance and as the largest donor to development, the United States is well positioned to lead, both by example through modernizing its own programs and policies and by serving as a champion of global reform.

The need for humanitarian assistance has risen dramatically in the past decade as ongoing conflicts, not natural disasters, drive 80 percent of humanitarian responses. Some 677 million people live in fragile states.[80] The number displaced from their homes has doubled in a decade, from 34.2 million in 2006 to 65 million today—21.3 million refugees, 3.2 million asylum seekers, and 40.8 million migrants[81]. The average length of refugee displacement is at a record 17 years, up from nine years in 1993. Eighty-nine percent of humanitarian funding goes to crises lasting more than three years.[82] Forty-three percent of those living in poverty are in fragile states, a number that is projected to rise to 62 percent by 2030. Yet in 2015 only 53 percent of the global humanitarian appeal was funded.

Low- and middle-income countries bear the brunt of hosting refugees; half are located in ten countries that account for less than 2.5 percent of global GDP: Jordan, Turkey, Pakistan, Lebanon, Iran, Ethiopia, Kenya, Uganda, Democratic Republic of Congo, and Chad[83]. Urban areas, not camps, host 59 percent of refugees.[84] Two-thirds of humanitarian funding goes to 20 countries, and $90 billion over the past decade went to just 10 countries.

The international humanitarian structure is inefficient and antiquated. Only 0.4 percent of global ODA is spent on disaster preparedness. The World Bank estimates that one in three development dollars is lost through conflict and disasters. In 2015 20 government donors accounted for 97 percent of all government relief contributions.[85] The structure was designed to meet immediate life-saving needs following unanticipated natural disasters. The U.N. system is populated with multiple agencies with overlapping responsibilities and competing agendas. In 2014 some two-thirds of funding from government donors was moved through multilateral organizations, mostly six major U.N. agencies.[86]

While not as dire, the shortcomings are mirrored in the U.S. government. Responsibility is divided among several agencies each with its own requirements and priorities. The Department of State has the lead on refugees, and USAID has principal responsibility for responding to natural disasters and assisting internally displaced persons. Where is the effectiveness and efficiency in dealing with human needs when the modality of relief is changed simply by a person crossing a border? At the global level, U.S. leadership suffers from the lack of a single, unified voice. Several agencies represent the United States in different organizations and forums, so there is no consistent U.S. voice and leadership at the national and international level on humanitarian matters.

Local organizations are on the front line of dealing with emergencies and have the knowledge and understanding of local conditions and cultures, yet minimal amounts of humanitarian assistance are channeled through local organizations. Donor earmarks and supply, rather than assessment of local needs, often predetermine solutions.

It is important to be clear that, while the architecture of humanitarian relief badly needs to be updated, the institutions and individuals that make up that system do yeoman's work in challenging circumstances and are not the fundamental problem. The problem is on the political side in the failure to find solutions to civil conflict and strife. Only those solutions will bring true and sustainable relief from the pain and suffering that require massive levels of humanitarian assistance.

Resilience: Intersection of humanitarian and development assistance

There is a major disconnect between humanitarian relief and development assistance. They operate in the same locales but from different silos and with separate objectives, separate funding streams, separate organizations, separate staff, separate disciplines. This was understandable when the principal need for humanitarian assistance was short term arising from natural disasters. But with 80 percent of the need now coming from protracted civil disruption, humanitarian and development efforts intersect and must be interwoven. The humanitarian structure responds to a crisis with a quick assessment of the short-term relief required, and life-saving commodities and services are quickly provided for those affected. Then the development world takes over, undertaking its own more time-consuming needs assessment and further time-consuming process of designing programs and mobilizing finance. Needless to say, there is a considerable time lag between just keeping people alive and starting up longer-term development programs.

U.S. stove-piped funding prevents flexibility in funding of relief efforts and seldom goes beyond keeping people healthy, hydrated, fed, and warm. It only infrequently fills other essential needs such as education and job opportunities. Humanitarian relief efforts fail to account for the long-term needs despite the increasing length of refugee status, and development programs typically are designed without regard to the realities of the likelihood of future shocks—economic reversals, civil disturbances, dysfunctional governance, and natural disasters.

USAID along with other donors has been leading a resilience agenda that brings together these two streams of work—development and relief. The basic notion is to share and work jointly on assessment, planning, programming, financing, coordination, and data and monitoring. It is time to stop thinking in silos; to stop thinking about development and relief as two separate worlds. Both must understand that the challenges they are addressing are two sides of the same coin and demand a sequencing of investments driven by a common risk assessment and strategy. This recognition requires a change in culture and program integration. Development needs to anticipate and account for shocks, and relief needs to work beyond the immediate. Education, employment, and livelihood initiatives must be integrated into refugee efforts, and risk planning and preparedness into development programs. A comprehensive approach involves not just humanitarian and development actors, but also diplomats and peace builders, and that requires a reset of the concepts and language used by each group and a breaking down of cultural barriers.

Modernize Food Aid

In addition to the relief and development disconnect, a third element of the humanitarian assistance dysfunction is U.S. food assistance. Formally dating from 1954 with the enactment of the Agricultural Trade Development Assistance Act (PL-480), U.S. food aid has a storied history of saving millions around the world from hunger and starvation. But the world of 2016 is not the world of 1954. U.S. food assistance was built on shipping U.S. surplus agricultural commodities to food-deficit countries. The United States was one of the few sources of surplus commodities, and the relief effort had the bonus of reducing the U.S. excess production that was depressing farm prices. In FY 1957 food aid was 30 percent of U.S. agricultural exports.[87] But the U.S. government no longer maintains agricultural surplus stocks, U.S. commercial farm exports have soared, food aid amounts to only 1 percent of U.S. agricultural exports (a bit higher for individual commodities[88]), and agricultural output is now more evenly distributed around the world. The cost of agricultural commodities has risen, so the same dollars purchase fewer supplies.

Further, the cost of shipping has increased, and U.S. law requires the use of even more expensive U.S. shipping (cargo preference). Various studies, including by the GAO,[89] have documented the excess cost of cargo preference: of $17.9 billion spent on food aid between 2003 and 2012, over half, $9.2 billion, went for transportation.[90] The irony is that most of these "U.S. flagged vessels" are owned by foreign companies, and the shipping subsidy to U.S. flagged vessels (costing three times as much to operate as foreign vessels)—which comes at the expense of food for poor and hungry people—fails to meet the cargo preference objective of ensuring shipping capacity that can be used by the U.S. military.[91]

The U.S. shipped 5.5 million metric tons of food assistance in 2002 but only 1.8 million metric tons in 2012, the difference representing the high cost of commodities and shipping.[92]

Food aid is designed to feed people who are hungry and on the verge of starvation, yet it can take 11-14 weeks longer for commodities to arrive from the United States than from local sources.[93] It often is cheaper, quicker, and more reliable to buy food commodities on local or regional markets. There are emergencies in which adequate food stocks are not available locally or within the region and it makes sense to ship from the United States. It is not an either/or issue but rather an issue of having the flexibility to procure food supplies in the United States or locally, depending on market dynamics.

A final dysfunction is what is called "monetization," a well-intended program to provide food commodities to NGOs for local development projects. An NGO receives a grant of commodities from the U.S. government and then sells them in the local market in order to finance its activities. The GAO has found that the sale of the commodities can stymie local agricultural markets and economic development and is costly, with a monetary loss between the purchase and sale of the commodities of 24 percent to 42 percent.[94] So, rather than purchasing commodities on the U.S. market and selling them locally, it would be more cost effective and efficient to give the NGO cash, save the transaction costs, and avoid local disruption.

Globally the business of preventing hunger has improved, with many donors adopting market-based solutions (procuring food stocks locally and providing those in need with cash or cash cards) and providing more nutritional forms of food commodities. While the United States has been part of these improved processes, it still provides the bulk of its food assistance through shipping U.S. commodities thousands of miles to intended beneficiaries.

Reforms of U.S. food assistance programs proposed by both the Bush and Obama administrations were, for the most part, rejected by Congress. The reforms put forward by the Obama administration reportedly would have allowed the program to reach 2-4 million more people per year.[95] Modest changes, including increased flexibility for local purchases, were included in the 2014 farm bill. The political tide may be moving toward change. The reform amendment offered by Reps. Ed Royce and Eliot Engel in 2014 almost passed, losing only 203-220, and in 2015 Senators Bob Corker and Chris Coons introduced a bill to restructure U.S. food assistance programs.[96] The issue is inherently bipartisan—reform offers conservatives a market-based solution that uses U.S. tax dollars more efficiently, and offers liberals an effective, efficient way to help more of the world's poor. Yet reform of U.S. food aid programs is not an easy lift. Shippers and certain farm groups remain opposed to change, and the complex committee jurisdiction and conflicting views between the foreign affairs and agricultural committee of the House and Senate make moving legislation difficult.

Cash and Digital Payments

As highlighted by the May 2016 report of the Global Development Council, a key innovation that is slowly being introduced is cash and its equivalents—vouchers, digital payments, cash cards—all of which place the decisionmaking power with intended recipients. Today, cash in the hands of beneficiaries makes up an estimated 6 percent of international humanitarian assistance. Cash is seldom used in development programs.

There is a bias or myth that the poor and those in emergency situations will not use cash well and that it is better to make decisions for them by providing commodities. Rigorous research has disproved that, and also has shown that cash is not more prone to diversion. The first widely noted use of cash was the Mexican Progresa program, a social protection effort launched in the 1990s that provides cash to the poor in exchange for school attendance. Random trial evaluation demonstrated that the payments were used well by poor families and that the program reduced poverty and increased school attendance. Today, similar programs are in place throughout Latin American.

Cash and its equivalents have many advantages. They reduce the transaction costs (transportation and administrative costs of distribution), increase the speed and flexibility of assisting those in need, improve transparency and accountability (including tracking how and where the cash is used), are more secure, and support local markets and jobs.[97] In-kind aid often is resold or thrown away, and cash is less wasteful and allows recipients to better meet their needs. Cash can free refugees from being penned up in camps. Provided through cards and phones, cash can build a credit history.

Cash is not the answer in every situation. It is not appropriate where supplies are short and markets weak. Too large an influx in weak markets can produce inflation. And certain aid needs to be provided as public goods—schools, vaccinations, clean water.

The emergency world has used market-based solutions and cash successfully and demonstrated their benefits. Debit cards have been used to meet the needs of Syrian refugees; remittance companies were used for cash transfers in Somalia in response to the 2011 famine; smart cards are used now for refugees in Lebanon. One problem that needs to be overcome is when multiple agencies use different cards and vouchers for the same population. For example, according to a report by the Center for Global Development and the Overseas Development Institute, "in Lebanon in 2014 more than 30 different aid agencies provided cash transfers and vouchers for 14 different objectives, ranging from winterization and food to legal assistance."[98]

U.S. humanitarian programs increasingly have switched to cash. For fiscal years 2010 to 2015, USAID's Emergency Food Security Program provided grants totaling $3.27 billion, of which $1.42 billon was in the form of cash or food vouchers. During that period, grants in the form of cash and vouchers increased from $76 million in FY 2010 to nearly $432 million in FY 2015.[99]

The potential benefits of smart cards and digital payments are that multiple agencies can use the same system, they can serve as an identity card for refugees who have lost their personal documents, they can bring the poor and refugees into the modern economy, and they can be used over a long period of time and when refugees return home. The Electronic Cash Transfer Learning Action Network (ELAN), with support from MasterCard, serves as a venue to develop and share information on the use of electronic payments in disaster relief and conflict environments.[100] There are ongoing discussions as to how to bring many actors onto the same cash platform and how to employ an open loop system that multiple agencies can use for multiple purposes rather than the current closed loop systems that have only a single specific use.

Recommendations from the World Humanitarian Summit

The dysfunction of the international system and the humanitarian-development disconnect have not gone unnoticed. In May 2016, some 9,000 people representing government, civil society, and the private sector met in Istanbul for the U.N.-organized World Humanitarian Summit. The gathering was preceded by three major reports.[101] The principal one, from a high-level panel to the U.N. Secretary General, proposed a Grand Bargain, a series of reforms to the international humanitarian system and a bridging of the humanitarian and development divide. The recommendations fit into five categories:

- *Go local*: Move more support to local organizations, build local capacity, and promote greater voice for affected populations, especially women and other vulnerable people.
- *Coordinate and align*: Reduce duplication and administrative costs by eliminating management units, undertaking joint assessments, and harmonizing reporting requirements.

- *Adopt resilience:* Integrate approaches to humanitarian and development needs (joint analytics, risk analysis, crisis/development planning, response), including bringing education and work opportunities into crisis response, and building into development programs greater focus on conflict analysis, disaster risk reduction, democracy, and governance as critical approaches for increasing resilience and reducing the need for humanitarian action.
- *Be flexible*: Provide multiyear, flexible funding responsive to local priorities and needs, use Adaptive Management and multisectoral programming to facilitate adjustment to changing circumstances, and deploy greater use of cash-based and other innovative approaches.
- *Improve accountability*: Collect better data on humanitarian aid, make data publically available through IATI, and enhance evaluation and learning.

At the World Humanitarian Summit 18 donors and 16 multilateral agencies and international NGO alliances pledged to reduce inefficiencies and modernize humanitarian assistance by implementing the Grand Bargain.[102]

Recommendations

Implement the Grand Bargain: The U.S. government approached the World Humanitarian Summit with a high level of interagency collaboration and deliberation on the summit outcomes. It committed to the Grand Bargain, but that is the easy part. Implementation, which the administration has been designing, is going to require changing practices and breaking rice bowls that will only come about with strong leadership at the senior political level and support from Congress and civil society.

Promote the Grand Bargain in civil society: While the U.S. government, specifically USAID, the Department of State, the Department of Agriculture, and the NSC, along with Congress, will bear the brunt of the reform burden, civil society has an important role. Many of the major humanitarian assistance implementers have endorsed the Grand Bargain and can show their commitment by beginning to change their practices—greater use of local organizations (which many do already), syncing their procedures and reporting formats, using cash where appropriate, and engaging in joint assessments. The implementers have an important role to play in bringing the reforms to fruition both through their own practices and through advocacy with Congress and executive agencies.

Streamline the U.S. architecture: The first QDDR failed to establish clear lines of responsibility for humanitarian relief between the two main agencies, USAID and the Department of State. The next administration needs to rationalize within and between the two agencies to ensure there are clear and efficient lines of authority and responsibilities and designate a single senior voice for humanitarian issues.

Reform U.N. agencies: A major dysfunction in the global humanitarian architecture is the U.N. system. The U.S. government, working with other major donors of humanitarian assistance, should assert a unified voice and leadership in demanding that the U.N. agencies come together to rationalize their roles and responsibilities in implementing the Grand Bargain.

Adopt resilience: The resilience agenda that USAID has been leading needs to be institutionalized and mainstreamed. The new administration and Congress should act on a modified version of the draft STRIDE Act. As proposed by Oxfam, the bill does a good job laying out the need and potential for a resilience agenda, but it is narrowly drawn to supporting the capacity of local civil society organizations. It needs to be broadened to support the resilience of all local institutions, government and civil society, and needs to be integrated into existing and future programs rather than siloed with its own funding.

Reform food aid: Allow food aid commodities to be purchased wherever market dynamics dictate and end cargo preference and monetization. The places to start are the Food for Peace Reform Act of 2015,[103] cosponsored by Senators Corker and Coons, and the next farm bill, where the foreign relations and agriculture committees can forge a common approach to food assistance.

Consider cash:

- **Why not cash?:** The default question in development and humanitarian programs should be "why not cash?" Cash will not be the right answer in many instances, but in some it will be the least costly and most effective.
- **Go digital:** To sort through the confusion of multiple agencies using competing cards and systems with the same population, and to create a permanent basis for delivering assistance payments, the international community—aid agencies, financial institutions, and NGOs—need to create a common platform for supporting debit cards, smart cards, and digital payments.

Growing Importance of Development Finance

Private resource flows and investment in developing countries have dramatically expanded, at least for better-performing countries. Over the past two decades the predominance of ODA and private flows (private capital, philanthropy, and remittances) have flipped, with private flows now accounting for some 90 percent of financial flows and donor assistance less than 10 percent.

Development finance was not a big issue 30 years ago—international business was viewed with suspicion in many quarters and assistance was the development solution. That has significantly changed over the past decade, culminating with the 2015 Third International Conference on Financing for Development in Addis Ababa and adoption of the SDGs. The MDGs were about increasing ODA to advance specific social outcomes in developing countries. The new set of SDGs is broad, is universal, and is about generating domestic and international finance and the importance of the role of the private sector in building inclusive economic growth. With meeting the SDGs estimated to require an additional annual investment of $2.5-$4.5 trillion,[104] and a further $13.5 trillion required to implement the Paris climate accord, all mechanisms available to raise this financing must be deployed.

The Obama administration and Congress are realizing the upsides to development finance. In a time of static or declining budgets, funding for the Overseas Private Investment Corporation has increased from $52.3 million in FY 2010 to $82.8 million in FY 2016, with $88 million requested in the president's budget for FY 2017. Funding for USAID's Development Credit Authority budget (all for operating expenses) has hovered around $8 million for the past decade, and $10 million has been requested for FY 2017. Funding for the U.S. Trade and Development Agency has risen from $55 million in FY 2010 to $60 million in FY 2016 and is requested at $80.7 million for FY 2017.

Still, funding for these institutions is relatively modest. They have been engaged to their maximum capability and are unable to fully seize the opportunity and meet demand. To compare OPIC with its European sister agencies, in FY 2014 OPIC had a portfolio of $18 billion while the 15 European development finance institutions (DFIs) had a combined portfolio of approximately $36 billion (33 billion euros), double the amount for an economy that is only 10 percent larger than the U.S. economy. The Dutch equivalent of OPIC, the Netherlands Development Finance Company (FMO), represents a country with a GNP about 3 percent that of the United States but has a portfolio half that of OPIC. In addition, OPIC lacks some of the basic authorities of European DFIs. It cannot issue equity finance and cannot fund technical advisory services, meaning it cannot offer an integrated package of finance and support. The lack of equity and the ability to accept first loss keeps OPIC from participating in certain deals, as other investors block OPIC's participation because its investment would take preference in case of a loss. In addition, unlike other DFIs, OPIC requires a U.S. nexus—an entity incorporated in the United States must be part of any OPIC-backed project —thereby limiting OPIC's support for business development in poor countries. In FY 2015, OPIC had revenues of $398 million and expenses of $87.8 million, for a net return to the U.S. Treasury of $310.2 million.

USAID uses the Development Credit Authority to provide guarantees against loss to local financial institutions as an incentive for them to be more inclusive in their lending. DCA typically will guarantee up to 50 percent of a loan, including in local currency, and has partnered with over 340 institutions and since 1990 has mobilized $4.2 billion in private capital, the bulk of that in the last few years. DCA has an unusual operating budget—its annual budget pays for staff and related operating expenses, and the subsidy for the guarantees comes from the budgets of USAID country missions. The annual appropriations bill puts a ceiling on those transfers and on total annual commitments by DCA. For FY 2016 the transfer authority was capped at $40 million and the commitment level at $1.5 billion; those ceilings are proposed, respectively, at $60 million and $2 billion in the FY 2017 budget request.

USTDA engages in a range of activities designed to bring the capabilities of the U.S. private sector to development, including providing grants to government agencies in developing countries to support feasibility studies, reverse trade missions, technical assistance, and training. An innovative program started in 2013, the Global Procurement Initiative, is designed to improve national procurement systems by moving them from "least-cost" to "best-value," which improves the accountability, transparency, and results of government procurement while at the same time leveling the playing field for U.S. firms. USTDA calculates the "export multiplier" of the exports generated by its programs over a rolling 10-year average. For the period 2004-2013 it estimates it generated $29 billion in exports from an obligation of $346 million, for a return of $85 in exports for each dollar expended.[105]

It is somewhat ironic that the United States, viewed by Americans and people throughout the world as the bastion of free enterprise, deep capital markets, and business innovation, should have such a modest capacity in leveraging private finance for developmental purposes.

Recommendations

U.S. DFI capacity is fragmented, outdated, and under-resourced and can be made more robust and relevant through one of two approaches—consolidation into a new entity or strengthening existing DFI instruments:

- **A consolidated development bank:** Proposed by Ben Leo and Todd Moss of the Center for Global Development[106] and endorsed in the 2014 report of the President's Global Development Council,[107] a U.S. Development Finance Corporation (USDFC) would be a new entity to consolidate and enhance existing DFI mechanisms. As proposed, it would involve joining together existing U.S. development finance programs—including OPIC, USTDA, USAID's DCA, enterprise funds, Treasury's technical assistance program—and providing the new quasi-government corporation with additional authorities and resources (along the lines outlined in the option below). This approach has the advantage of bringing together the disparate pieces of U.S. development finance and creating a one-stop-shop for the private sector to engage with U.S. development finance activities. It has several disadvantages—the disruption that typically accompanies moving bureaucratic boxes; likely opposition from various stakeholders in government agencies, on Capitol Hill, and in the private sector; and removal from USAID of DCA at a time when the private sector is increasingly seen as central to development and integral to USAID's work.

- **Alternatively, strengthen existing DFI programs:**
  - **OPIC**: The corporation should be provided the authorities it lacks (equity, first loss, technical assistance) and additional resources, including allowing it to recoup a larger portion of its annual revenues. Unlike traditional donor activity, which is criticized for being supply driven, OPIC responds to market demand. A reasonable goal would be for OPIC over a three-year period to double its operating budget from the current level to $160 million in FY 2020 and allow it to use up to $20-40 million of its revenues for technical assistance to accompany its finance. This change would allow it to better leverage the business acumen and innovation of the U.S. private sector. In addition, the U.S. nexus link should be loosened so as to make indigenous and regional entities in low-income countries eligible for OPIC support.
  - **DCA**: DCA has the potential to go to scale, and without a large budget outlay given its small staff and small subsidy that backs up the guarantees. With a modest increase in its administrative staff and an increase, or elimination, in the transfer authority and annual portfolio cap, it could test whether the demand is there. This could involve increasing over three years the FY 2017 request for operating expenses by 50 percent to $15 million, the transfer authority to $120 million, and the annual portfolio level to $4 billion, or eliminating the latter two caps.
  - **USTDA**: Like OPIC and DCA, USTDA is not fulfilling the demand for its services. A reasonable increase would be a doubling of its budget from the proposed level for FY 2017 to $160 million by FY 2020.

The Private Sector and PPPs

It is widely known that USAID carries out much of its development activities through U.S. NGOs and contractors. What is less well known is the extent to which it engages U.S. and indigenous business communities.[108] Since the 1960s its economic reform policies have included working with governments to improve the enabling environment for market economics. This was a particularly prominent part of its portfolio in the 1990s and early 2000s in working with the transitioning economies of the former Soviet Union and Central and Eastern Europe, along with privatization of state enterprises, support for new SMEs, and establishment of enterprise funds to bring Western business practices to emerging local enterprises.

From 2001 to 2014 the 1,481 PPPS for which USAID has documentation were valued at $16.5 billion. Of the more than 4,000 partners in those PPPs, over half were commercial entities.[109] What is missing from this 15-year compilation of statistics is any assessment of impact. USAID has undertaken only a handful of individual PPP evaluations. Although engaging the private sector in development is consistent with the new emphasis on the central role of business in contributing to the SDGs and economic development, hard evidence of the benefits and sustainability of PPPs is scant.

USAID's Development Credit Authority uses guarantees to back up the lending of indigenous financial institutions to incentivize them into more inclusive lending practices. Since 1990 it has mobilized $4.2 billion in private finance.

Engagement with the private sector has been a particular focus in recent years. In addition to making greater use of DCA, two of the Obama administration's signature initiatives—Feed the Future and Power Africa—engage both the U.S. and the indigenous private sector. Feed the Future reports $10 billion of commitments from more than 200 companies, and Power Africa reports $20 billion in commitments from over 100 companies. The Global Development Lab engages the private sector through PPPs and open challenges and discussions that invite business and nonprofit entities to propose solutions to public challenges.

USAID recently established the Office of Private Capital and Microenterprise, designed to better focus the agency's engagement on the financial side of investments and markets. Its purpose is to support missions and bureaus to help them access capital markets and investment finance in support of their development objectives.

As stated earlier, the Addis Ababa Development Finance Conference and the SDGs highlight the essential role expected to be played by private financial flows and the business acumen of the private sector in achieving the SDGs. As private finance continues to grow and to become more significant as countries move up the income ladder, it will become even more incumbent on USAID to structure its development efforts and partnerships in ways that involve and build upon the capabilities of the private sector. USAID collaboration can help private entities engage more with country priorities and the inclusive growth goal which USAID shares with its country clients. USAID has a unique convening authority that can bring private companies together and to the table with development partners and development NGOs. It can work with other country and multilateral donor agencies to leverage the expertise, capabilities, and market understanding of the private sector.

While many in the business community find USAID a strong business partner and value its engagement, the private sector also experiences frustrations that are not uncommon to those dealing with large bureaucracies—difficulty maneuvering around the bureaucratic maze to find the right office or person to engage; lack of transparency and clearness of policies and processes; a disconnect between different offices in the agency; lack of strategic approaches to problems; requirements that are rigid, labor intensive, and prolonged, yet the agency is slow to reach decisions and take action; and a grantor mentality.[110]

Recommendations:

- **One-stop-shop:** Business has long complained about having to go to multiple U.S. government agencies to find the one program that might support its interests and the slowness in working through the bureaucratic maze to get an answer, even a "no." Power Africa reportedly has made interagency collaboration work—hosting multiple agencies at the same meeting with a U.S. company facilitates quick identification of which agencies might support the company's planned project. This experience should be built upon to create a formal one-stop-shop, both online and a staffed office, for business looking for engagement with U.S. foreign affairs agencies, as would be authorized by S.3227, the Economic Growth and Development Act, introduced by Senator Johnny Isakson.[111]

- **Comprehensive interagency engagement package:** Short of a one-stop-shop, again building on the experience of Power Africa, a strategy and interagency capability should be created to provide an integrated business engagement package of support involving USAID, Department of State, USDA, OPIC, USTDA, Export-Import Bank, and the Commerce Department so as to provide comprehensive support for engaging U.S. companies in development activities.

- **Evaluation of PPPs:** A formal assessment of USAID's PPPs should be undertaken, both as a mechanism for engaging the private sector and as a way to produce development results. Assess the impact of PPPs, the sustainability of results, the measurement of outcomes, and the value of the GDA model, including whether the 1:1 finance match requirement is beneficial or a distraction. Analyze the roles of commercial interest and shared value in a partnership to determine whether they are key indicators of the likelihood of sustainability and should serve as filters in assessing prospective partnerships. Review the role and value of dedicated relationship managers and whether they should be full-time positions.
- **Strategic engagement**: Using the experience of the BAA, assess how to better engage the private sector in strategic discussions in the design phase of programs and policies.

The Data Revolution

Data

The data revolution was announced to the world with the 2013 Report of the High Level Panel on the post-2015 Development Agenda.[112] Data are an essential tool for a 21st century development agency. Data are the foundation of an accurate picture of reality and of rigorous decisionmaking, can provide real-time feedback essential for making programs effective, support rigorous monitoring and evaluation, and fuel transparency. Knowing how to access data, how to identify relevant and quality data, and how to manipulate the data to develop knowledge are key capabilities for a modern development agency.

When joined with broader knowledge and judgment built on experience, data are critical to making good decisions. Data are essential to knowing whether programs and projects are working. Data build knowledge and learning. Data can inform stakeholders on what an agency is doing and whether it is focused on its mandate and the right priorities. Data are critical to how a government communicates and engages with its citizens, and with how the U.S. government tells citizens of other countries how it is using its programs to advance development.

Accurate, timely data are essential to good development. Disaggregated data are especially valuable. Reported by gender, data show where women and girls are short-changed by social and economic institutions of society and face discrimination. Reported by age, data can show where policies should be targeted to the specific needs of infants, youths, and the elderly. Reported by geographic location, data can reveal areas of the country that suffer from inordinately high levels of inequality and poverty.

While important, data are not the end goal but rather an important tool in finding the right development path. Data are most useful when deployed with the knowledge that comes from experience and good judgment. Not everything important to development is subject to quantitative data or to rigorous metrics. Overdependence on data can lead to focusing only on that which can be measured—for example, much of what is important in education cannot be quantified; democracy promotion is hard to represent in numbers. Overuse of metrics and measurement tools can discourage risk taking and use of judgment.

The Bush administration understood the value of data, specifically for its two principal development initiatives, the MCC and PEPFAR. Both had data-driven decision making embedded in their creation. In 2015 the two joined forces in an initiative to use their data capability to help client countries advance their capacity to use data,[113] and they are both supporting *data 2x* to advance the use of gender data.[114] The Obama administration took the data mandate government-wide by issuing various data directives, including a 2012 guidance bulletin requiring all agencies to report foreign assistance data, a 21st Century Digital Strategy, and a 2013 executive order, all of which set open and machine-readable data as the government default standard.[115]

While data have not been as core to USAID as to the MCC and PEPFAR, USAID has a long history of collecting and using data. Since 1964, USAID has supported the generation of household survey data, having helped finance 249 national demographic and household surveys and provided technical assistance for nearly 100 more.[116] In 2014 USAID announced an Open Data Policy that establishes a data library, requires USAID staff and implementing partners to submit data in machine-readable, non-proprietary formats, and mandates the agency to make as much data publicly available as possible while affording privacy and security protections.[117]

Open, Machine Readable Data—the International Aid Transparency Initiative

The mandate for U.S. government agencies to produce open, machine-readable data has moved beyond just the policy of the Obama administration. The Data Act of 2014 directs the Department of the Treasury and OMB to require that U.S. federal spending be published in open, standardized, online format. The draft OPEN Government Data Act, introduced in Congress in 2016, would write into law the 2013 executive order by President Obama on open data policy,[118] requiring all agencies to maintain a centralized inventory of all data sets and publish the data in machine-readable, searchable format.

IATI is the international open, machine-readable standard for reporting assistance data. As of 2016 over 470 organizations, including aid donors, representing 87 percent of total ODA (most are reporting only a portion of their data), are publishing to the IATI registry.[119]

While a single data reporting system among relevant agencies, or even just within a single agency, is the ideal, the reality is that data needs are unique to the purpose and nature of individual programs and agencies. No single system will meet all needs. This is where IATI is the solution. It offers a common reporting format to match the data in disparate systems. IATI provides the interchange solution, not just globally but within and between complex agencies such as USAID and the Department of State.

Dashboards

An unfortunate data disconnect that produces inefficiency and confusion is the competing U.S. government foreign assistance dashboards. USAID has had the responsibility since 1962, as required by Section 634 of the Foreign Assistance Act, for producing the Greenbook[120] that compiles all foreign assistance data and is updated every year, with data going back to 1946. In 2004, USAID built a data system to serve the dual functions of fulfilling the FAA mandate to report on overseas loans and grants and reporting all U.S. development assistance to the Creditor Reporting System (CRS), the OECD system that collects and reports ODA data from all OECD donors. The Greenbook data were put online in 2001, and in 2004 a separate USAID ODA website was launched. In 2015 the two sites were combined as the Foreign Aid Explorer,[121] which allows users to access the breadth of data maintained in USAID's data system. USAID collects data from 30 U.S. government agencies for this endeavor,[122] and in the process exercises both quality control (it goes back to each agency for clarification and further information) and verification (it compares the data against U.S. government control figures) to ensure the data are accurate and complete. The system requires the work of about three-person years to maintain.

The F Bureau at the State Department maintains a competing data system, ForeignAssistance.gov,[123] established in 2010 as part of F's role in collecting foreign aid data. When the United States committed to IATI in 2011, F took on the role of collecting aid data from the agencies to publish to the IATI registry. In the first several years, this dashboard had partial data for USAID, the Department of State, and the MCC. It now publishes partial data for 10 agencies,[124] and plans are to add data from an additional six agencies by the end of 2016. The base year of reporting varies by agency, with a few agencies providing data back to 2006. A serious shortcoming is that it is not possible for the user to identify where full or only partial data are reported. A recent GAO report found that "…because updating ForeignAssistance.gov with USAID verified data has not been feasible and the interagency assessment of the process to ensure sufficient quality control has not been done, gaps in data quality remain unaddressed, and users may risk using inaccurate or incomplete information for decisionmaking and accountability purposes."[125] ForeignAssistance.gov requires the work of about 11-person years (some of which are devoted to assisting agencies in reporting in the common XML format required by IATI).

The two dashboards serve different purposes and are configured differently. They have different fields and different reporting times—Foreignassistance.gov is designed to have current data reported quarterly, whereas the Explorer is an annual collection of data. Unfortunately, to date the two dashboards cause more confusion than clarity as they use different names for similar indicators and the numbers for some indicators in the two systems often are not the same. While not all U.S. government data needs are met by the IATI categories, those additional needs could be added to the process of U.S. government agencies reporting their data for IATI.

Reporting Data Using IATI

It is instructive to trace the requirements in law and regulations that impact on how organizations implementing U.S. assistance must report the use of those funds:

- USAID and other government agencies require recipients of grants and contracts to report data on how they use the funds.
- The Federal Funding Accountability and Transparency Act of 2006 requires federal awards above $25,000 to be reported in a searchable, publicly accessible website; in 2008 the act was amended to apply the requirement also to first tier sub-recipients.
- The 2012 guidance bulletin, a 2013 executive order, and the 2014 Data Act require agencies to report aid data in open, machine-readable format, and USAID's Open Data Policy requires that for both agency and implementer reporting.
- The United States committed at Busan to be fully compliant with IATI standards.
- USAID and other agencies acquire much of the data they report to Congress, OECD CRS, and elsewhere from the recipients of grants and contracts.

DFID now requires all recipients of its funds to report in IATI format. The logical next step for an efficient, automated, open-format reporting system is for assistance implementers to be brought into the equation.

The Development Information Solution

It is no secret that USAID is beset with considerable difficulty managing data. To understand the complexity of its data-reporting needs, a dollar spent on a girls' bathroom in a school must be reported in data on education, gender, health, water, the country, and a partnership if it is co-funded. Since the mid-1990s USAID has made several attempts to build a comprehensive data system. Unlike the MCC, which had the advantage of creating a data system from scratch in a more modern data era, USAID's data systems resemble a Rube Goldberg mechanism. The agency has multiple central systems each serving a different purpose and with little capacity to interface; USAID business units (country missions, bureaus, offices) have acquired hundreds of unconnected data systems to meet their individual needs. The current mess prevents aggregation of data and a corporate-level view, is unable to integrate data, is burdensome on staff due to time-consuming searches to respond to frequent demands for data, and prevents the agency from answering simple questions.

To its credit, the agency has recognized the problem and has designed and is beginning to implement an agency-wide, integrated data system called the Development Information Solution. Rather than creating a new single data system to meet all needs—likely an impossibility—USAID is creating an interface that links the critical central data systems. The DIS will encompass three existing central data systems[126] and interface and exchange data with an additional five central data systems.[127] All or most single-purpose, single-business-unit data systems will eventually be discontinued and replaced by the integrated data system with a single point of entry. USAID staff will have access to the entire system, USAID implementers will be able to import their data into the system, and external stakeholders will have access to certain portions of the data. The DIS is being designed to meet transparency needs, including USAID's commitment to publish its data to IATI.

The three-year cost of establishing the DIS is $56 million, an amount likely to be recouped from the cost savings from business units no longer acquiring one-off systems and from staff time. The DIS is funded from the USAID Capital Investment Fund. The Fund was severely cut in the FY 2016 appropriations, but USAID cobbled together a few million dollars to start building the DIS. The Capital Investment Fund is fully funded in both the Senate and House FY 2017 appropriations bills. The fear is that with a continuing resolution likely again for FY 2017, funds for the Capital Investment Fund will stay at the FY 2016 level and be insufficient to fund further work on the DIS.

Recommendations

- **Fully exploit IATI**:
    - **Full compliance:** All agencies engaged in providing assistance should develop a plan to be fully compliant with IATI by the end of 2018.
    - **Data interchange:** U.S. government agencies should embrace the IATI standard, not just for reporting data, but as the interchange for managing and coordinating data within and between U.S. government agencies.
    - **Assistance implementers:** U.S. compliance with IATI would be facilitated if grantees and contractors reported on their use of assistance in IATI XML format. USAID and other government agencies either should require the recipients of funds to report in XML or provide incentives such as additional points on proposals for doing so or replace reporting requirements with IATI publication. This will not be easy, and USAID

and other agencies should provide support for the transition to the IATI format.

- **Rethink the two dashboards:** The next administration, during the transition or the next QDDR, should review the operations of the two data collection/presentation dashboards and ask the question of whether one would suffice, as called for in the Foreign Aid Transparency and Accountability Act.[128] While there is always a rationale for existing systems, in this case they cause considerable confusion for users as they produce different numbers for similar categories of assistance. Among the issues to considered are: is one more complete and thorough; does one meet current needs better; can the benefits of one be added to the other; which agency has more experience and is doing a more thorough job in collecting and verifying the data?

- **Fund DIS:** Congress should fully fund, even advance fund, the DIS. The sooner the money is available, the sooner the work can be accomplished and the sooner the system will be completed, tested, and finalized, and USAID able to produce good data.

A 21st Century Human Resource Plan

An organization is only as good as its people and their ability to carry out their responsibilities. USAID has a superb, dedicated workforce that is encumbered by what on a good day is a mid-20th century personnel system. It hires the best, but then, unlike the military, which provides professional development plans and opportunities for its men and women throughout their careers, USAID mostly leaves its personnel on their own to develop professionally. Employees can access only limited professional training. The personnel system is archaic and unresponsive to 21st employee dynamics and agency needs. There are 23 or more different hiring mechanisms, or more accurately workarounds, most of which cost the agency more money than hiring an employee directly.

In 2016 USAID is undertaking one more human resource realignment. Current employees were canvased and expert consultants hired to analyze the current system and design a transformation to better functioning system. The Human Resource Transformation Strategy and Action Plan 2016-2021[129] is geared to improve how USAID manages its human resources. It is well purposed and no doubt will make the current system more effective and efficient when fully implemented in five years. It is a more thorough and participatory process than former HR reform efforts, but it does not go beyond attempting to make the current system work better. It is not based on a wholesale relook at the system and assessment of what kind of workforce—domestic and international, foreign service and civil service—is needed for USAID to be a first-class development agency.

USAID needs a personnel system that brings in and mentors employees for the 21st century. It needs to permit, even facilitate, employees spending parts of their careers in other organizations and other occupations. To be relevant to the dynamics of this century, USAID will need a range of skills, some of which are not yet known. Employees must be allowed to come and go—be allowed to take other jobs for a while, take other jobs for five to 10 years while they take care of aging parents, put teenagers through high school, or gain new skills and experiences—and then be rehired with full credit for what they have done and how they have advanced professionally. The agency needs the ability to hire employees mid-career so as to bring in new and unique skills and capabilities. It needs an employee evaluation system that accurately assesses employee performance rather than rating everyone as sterling. It needs an objective assessment of a range of issues, including the best mix of foreign service, civil service, and local staff; the use of the full potential of local staff; the use of contractors to fill staffing needs;

means to quickly bring in critical technical expertise; a more efficient way to fill staffing needs other than the current cumbersome, expensive workarounds; and the value of exchanging personnel with other foreign-affairs agencies (especially State, MCC, OPIC, USTDA, and even DOD).

Development is a profession with a body of knowledge and expertise that needs to be nurtured and advanced throughout a career. For the long haul, a critical element is the elevation of professional development within USAID. The agency needs to adapt from the military a comprehensive staff development program that incorporates serious stints for advanced training and degrees, and it needs to fund the requisite budget. This obviously requires convincing OMB and Congress of the value of devoting serious time and budget for advancing the professional capabilities of USAID staff.

Human resource systems are inherently personal and political. They are about individual lives and livelihoods, and not something an organization can undertake by itself. There are too many vested interests and too few with an understanding of how personnel systems function in other relevant venues. USAID cannot change its personnel system outside the context of federal personnel rules and regulations.

The only way to undertake a true modernization effort is to involve Congress in analyzing the current system, designing the new system, and authorizing it. It may sound crazy to suggest that Congress be involved in the analysis and design of a personnel system, but this can be done by engaging an expert surrogate, such as the National Academy of Public Administration. The academy's membership comprises public administration experts, and it has periodically been called upon to review and recommend changes in administration and management of public institutions.

Recommendation

A 21st century human resource system: Congress and the executive branch should cooperate in appropriating $1 million for the National Academy of Public Administration to undertake a 12-month study to outline a new human resource system for USAID, with a commitment to consider the proposal and move the required implementation legislation.

SECTION VI—POST-ASSISTANCE U.S. INTERNATIONAL ENGAGEMENT BEYOND 2030

Looking down the road, current trends suggest that only 14 of the 82 countries that are now eligible for the World Bank's International Development Association (IDA) will remain eligible for IDA finance in 2030. Twenty-eight countries will have graduated from ODA eligibility.[130] With many countries moving into middle-income status and the principal sources of their development finance coming from wealth generated within the country and from international private finance, the next 15-30 years will see a transition to a radically different world of development, especially from the point of view of the world of 1950–1960, when much of the international development architecture was created. For most developing countries, other than those suffering natural or manmade disasters and those that are poor and conflict-ridden, foreign assistance will be of declining relevance.

But foreign assistance is a key tool in the U.S. smart power tool box for engaging the world. How does U.S. engagement remain robust as the world evolves, especially as there will remain significant pockets of poverty, even in middle-income countries, and significant global challenges? The answer is to leverage the varied and multiple assets of U.S. smart power by engaging those who hold those capabilities—corporations, NGOs, universities, foundations, etc. We need to deploy all assets—public and private; economic, social, educational, cultural, scientific—from the United States, other nations, and the international community in order to link them together for the mutual benefit of the United States and our bilateral and multilateral partners, developed and developing.

As the mid-21st century approaches, fewer countries will need traditional assistance, but there will be continued need for nations and people to work together to solve common problems—to jointly develop solutions to climate change and environmental problems; attack communicable diseases that respect no borders; work to eliminate trafficking in persons and arms; keep nuclear technologies out of the hands of terrorists and rogue regimes; reduce poverty still present in most countries (including the United States); collaborate in formulating regulatory structures and policy guidelines for new technologies and international financial flows; tackle international profit shifting and tax avoidance; better manage resource extraction; and develop renewable sources of energy. In fact, a portion of U.S. assistance and government policies already fit this frame of tackling global challenges that have serious implications for the United States.

It will be in the U.S. interest to mobilize its considerable public and private assets to lead and contribute to these efforts so as to be a participant in contributing to and benefiting from the solutions. Some of these solutions will need to be applied here in the United States, just as the innovations of microenterprise and breakthroughs in agriculture and medical research have been brought home to the United States from experience and knowledge produced from development investments.

To do so will require a structure and capability that is smart, adept, and agile at addressing new challenges and seizing new opportunities. It must be able to tap into the range of resources that are housed in various government agencies, outside of government, and in other countries. It must be respected around the world for its intellectual and learning capability and ability to work as a collaborative partner. This structure and capability cannot be seen as traditional "foreign affairs" or "aid." It may be an institution, or a broad alliance, or a network, with a staff and members who have knowledge of specific global issues but also skills such as brokering, alliance building, and impact investing. It must have capacity to reach across agencies and the private sector to tap into needed expertise.

Recommendation

Create a Mutual Cooperation Partnership: Perhaps the first order of business is to create a new platform—a mandate and authorization for the U.S. government to work to address global public challenges in partnership with other governments and private entities in a collaborative manner and as equals. This engagement must be perceived as a two-way street, as a true partnership. Rather than establishing the initiative as a new government agency, it likely should be some form of public-private partnership. An essential element is for the U.S. government to work collaboratively in the partnership and not as the "majority shareholder" who requires that the partnership function according to U.S. government rules and regulations and ways of doing business. The United States has already moved beyond that attitude in several multistakeholder alliances such as the Global Fund to Fight AIDS, Tuberculosis and Malaria and the vaccine alliance GAVI.

The preferred path would be evolutionary. We need to continue current efforts to modernize foreign assistance, but now is also the time to start planning and building for a post-aid era. The alternative is disruptive radical change in 15-30 years to make up for what then will be antiquated systems and programs.

SCORECARD

Big Wins

- ✓ Consolidate all development programs in a U.S. Department of Development
  - ○ Alternatively, further strengthen USAID by assigning the administrator of USAID cabinet status and the development leadership mandate as chair of a new umbrella Development Coordination Council
- ✓ Write a global development strategy
- ✓ Enact a new Foreign Assistance Act
- ✓ Make earmarks and presidential initiative more flexible in order to make funding more flexible and responsive
- ✓ Modernize humanitarian assistance through implementation of the Grand Bargain for humanitarian assistance
- ✓ Reform food aid
- ✓ Strengthen development finance by consolidating programs in a new development bank or strengthen existing development finance tools -- OPIC, USTDA, and DCA.
- ✓ Facilitate private-sector engagement in development by providing access through a one-stop-shop
- ✓ Prepare for post-assistance global engagement through creating a platform for Mutual Cooperation Partnership

Strengthened USAID

- ✓ Consolidate development functions in USAID and avoid further dispersion of development programs
- ✓ Congress should provide the new administration with foreign affairs reorganization authority
- ✓ Provide USAID full budget authority
- ✓ Expand the policy function of PPL
- ✓ Join USID’s policy and budget functions
- ✓ Create a second deputy administrator
- ✓ Rethink F Bureau and State coordinators to limit their purview to managing State assistance programs and coordination with other agencies
- ✓ Institutionalize the development voice – USAID at the NSC table
- ✓ Strengthen evaluation by: building an evaluation culture; ensuring the independence of evaluations; deploying impact, policy, and ex-post evaluations; including the design and funding of evaluations in the planning phase of projects; establishing a learning agenda
- ✓ Strength transparency by adopting agency-wide transparency in policy; becoming fully compliant with IATI by 2018; promoting the use of data; fully funding DIS
- ✓ Develop a culture of collaboration
- ✓ Create a 21st century human resource system

Effective Implementation

- ✓ Move forward with local ownership
- ✓ Use CDCS to identify areas to promote greater country self-reliance
- ✓ Assess the Partnership for Growth
- ✓ Evaluate PPPs
- ✓ Instill that success requires calculated risk taking
- ✓ Adopt Adaptive Management
- ✓ Assess the BAA experiment
- ✓ Examine DFID’s experience with *Smart Rules*
- ✓ Decentralize decisionmaking

✓ Make presidential initiatives more flexible

✓ Advance the resilience agenda

✓ Consider cash as an option

✓ Advance full compliance with IATI

✓ Adopt Goldwater-Nichols exchange of personnel among all foreign affairs/national security agencies

✓ Rationalize competing foreign assistance dash-boards

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4. Ibid. and email July 3, 2016, from John Sanbrailo to author.
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6. Nowels 2007.
7. USGLC 2013.
8. OECD 2008.
9. Leo and Moss 2016.
10. Ingram 2014, pp. 13-15.
11. Includes all USAID employees—foreign service, civil service, contract employees, and local employees.
12. From chart provided by USAID to author. The absolute low numbers were 7,041 for all staff in 1998 and 986 foreign service officers in 2003.
13. From chart provided by USAID to author.
14. For example, (1) the FAA of 1961 was enacted quickly. (2) Unease over foreign aid for Vietnam catalyzed the defeat of the foreign assistance appropriations bill in the Senate in 1971. Responding to this crisis, a group of members on the House Foreign Affairs Committee worked with "thinkers and doers" to amend the FAA to create a new focus—on human development, known as the "New Directions"—which garnered the support of a majority of members of the House and Senate. (3) In the 1980s it was Congress that found a middle path between the Republican White House policy of unquestioned support for the military government of El Salvador and the desire of Democrats in Congress to cut off that funding; a key compromise was to condition assistance on progress on democracy and human rights. (4) In 1989 Congress took President George H.W. Bush's modest proposal for assistance to Poland and Hungary and transformed it into a more ambitious statute to support the transition from Communism (SEED Act), and then two years later passed the FREEDOM Support Act to assist countries of the former Soviet Union. (5) Congress improved on George W. Bush's proposed MCC and enacted legislation authorizing (and later reauthorizing) PEPFAR.
15. Democracy advocates have suggested a fourth D—democracy—and the disaster relief community a fifth—disaster relief. But these two important aspects are essential elements of 2 of the 3Ds (diplomacy and development).
16. Brainard 2007, p. 34.
17. President's Emergency Plan for AIDS Relief.
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19. October 19, 2016, email from USAID staffer.
20. For a good example of when diplomacy plays an important role in advancing development, see Atwood 2012.
21. Out of a total of 62 USAID country missions; USAID Forward FY 2015 Report, https://www.usaid.gov/usaidforward.
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28. Sponsored by Republicans Sen. Bob Corker and Rep. Ed Royce and Democrats Sen. Ben Cardin and Rep. Elliot Engel; Electrify Africa Act of 2015, https://www.govtrack.us/congress/bills/114/s2152.
29. Sponsored by Republicans Sen. Johnny Isakson and Rep. Chris Smith and Democrats Sen. Bob Casey and Rep. Betty McCollum; Global Food Security Act of 2015, https://www.govtrack.us/congress/bills/113/hr5656.
30. The American Presidency Project, "Richard Nixon," http://www.presidency.ucsb.edu/ws/?pid=3021.
31. CQ Almanac, http://library.cqpress.com/cqalmanac/document.php?id=cqal79-861-26160-1182832.
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36. USAID, "Development Innovation Accelerator Factsheet," https://www.usaid.gov/GlobalDevLab/fact-sheets/development-innovation-accelerator-factsheet-10202014.
37. Detailed in May 15, 2016, email from USAID Global Development Lab staffer.
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42. Locus, "Together We Can Do Development Work Better," http://www.locusworld.org/.
43. USAID 2016b.
44. Executive Order 12163.
45. Albright authority, Delegation of Authority No. 145; Rice authority, Delegation of Authority No. 293.
46. Delegation of Authority No. 293.2
47. Section 601 of PL 101-179.
48. Section 102 of S.2532 as enacted.
49. Senator Barry Goldwater and Representative William Flynt Nichols were the principal sponsors of the Department of Defense Reorganization Act of 1986, one aspect of which requires military officers to serve a tour of duty in another service branch in order to be eligible for promotion into the senior ranks.
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53. USAID, "Evaluation Utilization at USAID," February 2016.
54. USAID 2016f.
55. Rogers 2015.
56. USAID 2016e.
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