

Making U.S. global development structures and functions fit for purpose

A 2021 agenda

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Making U.S. global development structures and functions fit for purpose: A 2021 agenda

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“Washington has become overly dependent on military tools and has seriously neglected its nonmilitary instruments of power, which have withered and weakened as a result. And it has attempted to develop and implement policy using a national security structure and bureaucracy that was designed for the Cold War and has changed remarkably little since the 1940s ... One of the United States’ greatest victories of the twentieth century relied not on military might but on subtler tools of power. The Cold War ... was waged through ... the use of nonmilitary instruments of power ... if the United States is smart, and lucky, the long competition with China, in particular, will play out in the nonmilitary arena.”¹

— Robert Gates

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¹ Robert Gates, “The Overmilitarization of American Foreign Policy,” *Foreign Affairs*, July/August 2020.

Abbreviations

BEPS	Base Erosion and Profit Shifting
BHA	Bureau for Humanitarian Assistance
CDC	Centers for Disease Control and Prevention
COVAX	COVID-19 Vaccines Global Access Facility
CPS	Bureau for Conflict Prevention and Stabilization
DCA	Development Credit Authority
DCC	Development Coordination Committee
DFC	United States International Development Finance Corporation
EUR/ACE	Bureau of European and Eurasian Affairs
ESF	Economic Support Funds
F	State Department Office of Foreign Assistance
FAA	Foreign Assistance Act
FATAA	Foreign Assistance Transparency and Accountability Act
FEWS	Famine Early Warning Systems Network
FSN	Foreign Service National
GAO	Government Accountability Office
GFA	Global Fragility Act
IATI	International Aid Transparency Initiative
INL	Bureau of International Narcotics and Law Enforcement Affairs
MCC	Millennium Challenge Corporation
NADR	Nonproliferation, Anti-terrorism, Demining and Related Programs
NEA/AC	Bureau of Near Eastern Affairs
NSC	National Security Council
OE	Operating Expense
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
PEPFAR	President's Emergency Plan For AIDS Relief
PEWS	Pandemic Early Warning System

PRP	Policy, Resources and Performance
QDDR	Quadrennial Diplomacy and Development Review
RFS	Bureau for Resilience and Food Security
SAR	Stabilization Assistance Review
SDGs	Sustainable Development Goals
USAID	United States Agency for International Development
USIP	United States Institute of Peace
USTDA	United States Trade and Development Agency
WHO	World Health Organization
WTO	World Trade Organization

Why this paper?

Major challenges are confronting the United States and the world: climate change, poverty and contracting economic growth, pandemic disease, unprecedented levels of migration, state fragility, rising authoritarianism, criminal networks, disinformation, and social, economic, and racial inequities. The overarching context is an increasingly complex and fraught multi-polar/multi-actor world made more difficult and complicated by a looming U.S.-China “Cold War” and several years of disarray in U.S. policy and global leadership. COVID-19 has laid bare the full extent of the incoherence in U.S. government decisionmaking and disconnect from the policy center of the international community. The global interconnectedness of the challenges requires countries working together through partnerships and international institutions and alliances and with local authorities and communities to identify needs and common interests and implement programs in often difficult environments.

Few places in the U.S. government combine a global perspective with technical and country-specific expertise; knowledge and experience working at the governmental and local level in nearly every country in the world; the ability to mobilize resources from the government, private, non-profit, and academic sectors; the capability of operating across sectors (most problems are multi-sectoral); experience in designing and implementing programs at scale; and the ability to anticipate, prevent, and remediate challenges at a global level.

Unfortunately, the two agencies collectively able to play these roles—the State Department and the USAID—have been hollowed out and consumed by unnecessary bureaucratic infighting and competition. The new administration must clarify roles and responsibilities of these agencies with the principal international/global mandate and prioritize rebuilding their staffing and stature—the State Department in pursuing diplomacy and USAID in leading development cooperation.

For the State Department, this means restoring leadership positions to career foreign service staff, realigning its structure to enable it to focus on *diplomatic priorities* without being bogged down in program implementation, and rebuilding its career cadre to better reflect the diversity of America and with the language, experience, and cultural skills to represent the U.S. effectively.

For USAID, this means the interagency acknowledging USAID primacy in *policy and programming to address global development challenges*, strengthening its capacity to work in interagency processes, and rebuilding its career staff to strengthen technical and policy expertise and broaden its diversity. USAID's ability to leverage private and philanthropic resources is critical to achieving sustainable impact, with partnerships more essential than ever to address the effects of COVID-19.

Both agencies are the locus of highly knowledgeable and experienced personnel in dealing with complex global issues. But they lack the depth and critical mass to effectively address increasingly demanding interagency and intergovernmental approaches. Nor do they have the experience working with the private sector necessary to structure the incentives necessary for joint partnerships to address global problems. And they do not have the luxury of expending scarce staff resources on overlapping, duplicative activities. Their respective roles and responsibilities need to be acknowledged and respected.

As many past and current military leaders have astutely acknowledged, development and diplomacy are the front lines of global engagement and require greater resources and priority to avoid the U.S. having to deploy kinetic forces.

This paper is divided into **Immediate Actions** the new administration should take upon assuming office and a more comprehensive **Six Month Plan**. The paper does not present one single comprehensive plan but a series of options/choices from which the administration and Congress can select depending on their vision and level of ambition. There is some duplication as some of the actions/decisions overlap the two phases, with greater detail provided in the Six Month Plan. With a few exceptions where policies are relevant to structural change, or high-level policies related to the broad reach of development need to

be articulated immediately, the paper does not deal with the policy/programmatic side of development cooperation. Further, it refers only to those changes at the State Department that are required to elevate the development function, not the strategic review of State that should be the subject of a separate paper.²

Box 1. Development cooperation

The term “development cooperation,” rather than “foreign assistance,” is used in this paper to more accurately describe the nature and variety of civilian instruments of national power that the U.S. uses when working with lower- and middle-income countries to address political, social, and economic challenges. The principal U.S. government departments and specialized agencies engaged in international development (State and Treasury Departments, USAID, MCC, DFC, USTDA) have a broad array of diplomatic, financial, technological, and policy instruments, as well as incentives and disincentives, that go well beyond simple grant assistance. In an increasingly complex and sophisticated world, American competitive advantage comes from the variety, attractiveness, and power of using these instruments of national influence, either individually or in combination, to shape attitudes and behavior in the international community in ways that advance U.S. interests.

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² For strategic changes at the State Department, see: Anne-Marie Slaughter, “Reinventing the State Department”, *Democracy*, September 2020, at <https://democracyjournal.org/magazine/reinventing-the-state-department/> ; William Burns and Linda Thomas -Greenfield, “The Transformation of Diplomacy: How to Save the State Department”, *Foreign Affairs*, September/October 2020, <https://www.foreignaffairs.com/articles/united-states/2020-09-23/diplomacy-transformation>.

Immediate action plan

This brief “immediate action plan” outlines the most urgent, first steps a new administration can take to implement the broader plan that follows to strengthen the structures and functions of U.S. development policy and programs.

The world is irreversibly interconnected. What happens elsewhere in the world affects America’s security and prosperity. Global challenges—health pandemics, climate change, mass migration, economic retrenchment, global and national inequities, growing autocracy and political/social instability—are fundamental development and diplomatic challenges that affect us here at home and across the globe. All this occurs with a geopolitical overlay of an increasingly complex multipolar world and rising Chinese assertiveness and what looks like a U.S.-China “Cold War.” An essential element to effectively operate in this environment and address these issues, and for the U.S. to rejoin as a partner with other countries in the global arena and rebuild trust in our leadership, is for the new administration to correct the dissonance between U.S. government diplomatic and development structures and elevate both functions.

First week

Establish the stature of development and U.S. global engagement

- **Nominee for Administrator:** Nominate the Administrator of USAID at the same time as the nominee for Secretary of State.
- **Cabinet rank:** Assign cabinet rank to the Administrator of USAID (who would receive foreign policy guidance from the Secretary of State and report to the President through the Secretary).
- **NSC:** Assign USAID permanent membership on the NSC.
- **Global engagement:** Indicate the return of the U.S. to a collaborative role in international affairs by committing to key international economic/development issues—rejoin the Paris Agreement on climate

change; endorse the SDGs; remain in and work to strengthen the WHO; advance U.S. interests in the WTO while playing by the rules of the game (specifically approval of new judges to the dispute resolution mechanism); meet our financial commitments to and enhance the resources of international development institutions; reverse the Mexico City policy.

First two months

USAID role

- **State/USAID roles:** President/NSC to issue a directive clearly assigning responsibility for diplomacy and development respectively to State and USAID, to be implemented by the Secretary and Administrator issuing a joint memo instructing their staffs on the respective roles of the two agencies and that staff will respect and honor that division of labor. This clarity of roles will be reinforced by assigning the Administrator cabinet status and a permanent seat in the NSC.
- **Inter-agency coordination:**
 - Designate the USAID Administrator chair of the interagency Development Coordination Committee, authorized by section 640B of the Foreign Assistance Act.
 - Re-establish the senior NSC position responsible for global development.
- **USAID PRP Bureau:** Secure congressional consent to the final element of the USAID transformation plan—consolidation of the functions of policy, budget, and performance in the proposed PRP Bureau, led by a Senate-confirmed assistant administrator.
- **In-country agency coordination:** Designate the USAID country Mission Director as the assistance coordinator to the Chief of Mission.

Budget

- **USAID Budget Authority:** For USAID to be an effective, accountable agency, it needs full authority over its budget. While the original intent may

have been noble, 15 years' experience shows that the State Department F adds little value to strategic coordination and instead exerts unproductive, time consuming, oversight of USAID. The new administration should end F oversight of USAID; reassign delegated budget authority to USAID; and seek congressional consent to the proposed USAID PRP Bureau. The USAID budget would be developed with foreign policy input from the State Department and would be reviewed by the Secretary before going to the OMB.

Policy

- **Development policy:** Develop an interagency global development policy, led by the NSC with USAID charged to provide the frame, to bring coherence to U.S. development policies and programs and as the starting point for developing a U.S. Global Development Strategy.
- **Signature priorities:** Identify and consult widely on major development initiatives (see possible priorities further on in this paper).

Personnel

- **Political appointees:** Restrict political ambassadorial appointments to 10-20 percent of posts and ensure that career staff are well represented in State and USAID senior positions.
- **USAID staffing level:** Fully staff USAID in accordance with appropriated levels.

Six month plan

Frame for development 2020-2050

Challenges to global peace and prosperity are ever expanding—pandemics, climate change, mass migration, terrorism, national and global inequality and inequities, retrenchment from democracy, growing nationalism jeopardizing international cooperation, Chinese assertiveness, state fragility, endless wars in Syria, Yemen, and Afghanistan, nuclear proliferation in Iran and North Korea, instability in the Middle East, and economic setback that is reversing the decline in global poverty and risking another debt crisis.

To be successfully addressed, these transnational challenges require both an understanding of what worked during the 75 years of the post-World War II-era and of new global dynamics. There are four key dynamics that should guide how the U.S. operates in the world of today:

1. **American values and prosperity:** Per Secretary Robert Gates' incisive analysis in the "Exercise of Power,"³ the Cold War was not won on the military battlefield. Yes, a strong defense was an essential underpinning, along with strong alliances that require continuous maintenance and nurturing. But what is the fundamental reason other countries look to the United States and to partner with us? It is because of the ideals and way of life America stands for—individual rights, liberty, the predictability of the rule of law, private sector-led prosperity, and the richness and vibrance of our democracy and culture. It is living up to these values, from which in recent times we have departed, that will attract and keep countries and peoples in our court.

³ Robert Gates, "Exercise of Power: American Failures, Successes, and a New Path Forward in the Post-Cold War World," (New York: Knopf, June 2020).

2. **“American” leadership:** Our values and way of life prevailed in the Cold War, not just through actions and policies of the United States government (deemed for purposes of this paper as “U.S. leadership”), but through the panoply of American civilian assets and actions (“American leadership”)⁴—compelling values, international student exchanges, non-profit organizations working in the most difficult places, private philanthropy, the ubiquity of our culture (movies, TV, blue jeans, music, literature, internet, English language), Americans volunteering time and talent around the world, the Peace Corps, scientific and medical preeminence, practice of innovation, and public/private partnerships in tackling global health challenges such as polio, malaria, and HIV/AIDS. Thousands of institutions and organizations, and millions of individual Americans, mobilized across the American landscape and bolstered by principled U.S. leadership, can drive many aspects of global development. This is particularly prominent today in the many cities and states that are stepping up to commit to the SDGs and using them to guide actions and measure progress. Both U.S. and American leadership, working in tandem and in collaboration—in contrast to the current dissonance between the two—can contribute to convening and inspiring the world for sustainable development.
3. **Changed geopolitics:** While still first in military power, the U.S. is no longer the stand-alone dominant global economic and political power, as it was at the end of World War II and then again at the closure of the Cold War. The U.S. is now sharing a multipolar world stage with many other actors, not just governments but also private entities. Further, we appear to be on the cusp of a repeat of the historic dilemma of an established power confronted by a rising power. Chinese assertiveness and challenge to international norms, and the reactive U.S. response, is threatening a new

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⁴ I first heard this distinction articulated by John Allen, President of the Brookings Institution, at the 2018 Brookings Blum Roundtable, www.brookings.edu/wp-content/uploads/2018/12/Blum2018-Post-ConferenceReport-Web.pdf.

“Cold War.” Will the U.S. continue its recent practice of a go-it-alone strategy, actually a non-strategy, of pretending it can just defend the old order, or will it join with like-minded liberal, and maybe some not-so-liberal, democracies to forge a new international consensus and set of norms? The U.S. has spent several years in retreat from global leadership and multilateral action. As a result, many countries and international institutions are struggling to identify a path forward. Moreover, there is now a wedge between official U.S. and the international mainstream on global development cooperation—starkly evidenced by the administration reneging on U.S. participation in the 194-country member Paris Agreement on climate change and failing to commit to the 193-country adopted SDGs. It is only through being a collaborative player—listening and seeking common ground—with other governments, international organizations, the private sector, and non-profits, that U.S. leadership will be revived, trust in America restored, and transnational challenges effectively addressed.

Further, global demography and the fulcrum of global economic and political power is rebalancing, with a gradual refocus from Europe and the “West” to Asia and Africa. Along with China becoming a major economic and political force, “middle powers” in Asia are coming to the fore. The emergence of Africa is on the horizon. In 1950, Africa had less than half (40 percent) the population of Europe; today, Europe is half the population of Africa.⁵ By 2050 the population of Africa will have doubled to 2.5 billion, and its largest country, Nigeria, will have the third-largest population in the world, larger than that of the United States.⁶ By 2100, almost 50 percent of under-15-year-olds will live in Africa.⁷ What are these emerging countries looking for? Sure, governments want adequate security and protection, but

⁵ “Population of the world’s continents from 1950 to 2020,” *Statista*, July 2019, www.statista.com/statistics/997040/world-population-by-continent-1950-2020/.

⁶ “Africa’s population will double by 2050,” *The Economist*, March 26, 2020, www.economist.com/special-report/2020/03/26/africas-population-will-double-by-2050.

⁷ Max Roser, “Future Population Growth,” *Our World in Data*, November 2019, www.ourworldindata.org/future-population-growth#population-younger-than-15-un-vs-wc-iiasa

the people, besides personal safety, want development—they want better quality of life, greater equity, political and social freedom, and respect. The largest youth population in history lacks trust in institutions and is being greatly impacted by COVID with severe loss of opportunities.

4. **COVID-19:** The ramifications of COVID-19 are widespread, touching every aspect of national and personal life, likely in long-lasting ways. Existing inequalities that have existed globally and within populations have been accentuated by the pandemic. Families/individuals that are better off financially and digitally savvy are marginally impacted while populations with minimal resources overwhelmingly bear the brunt of the impact; larger, digitally-capable companies are even profiting while small and medium companies go bankrupt. First-line impacts are wide-ranging—estimates range of up to 140 million people sinking into extreme poverty; a shrinking of what was an expanding global middle-class; pandemic-level deaths; setbacks on access to basic healthcare, including maternal and child health services; global economic contraction; disruption of supply chains; rising levels of hunger; authoritarians seizing advantage of the crisis; and over 1.5 billion students out of school, 463 million without access to remote learning, resulting in a setback in gains in education and gender equality, including increased incidence of gender-based violence, early and forced marriage, and trafficking

The long-term, secondary impacts are still unveiling—economic activity being even more technology-driven, the digitally illiterate and unreached falling behind, youth losing a year or more of schooling and many never returning. A constructive impact hopefully will be a boost to the localization of development efforts.

Following George Kennan’s advice in the late 1940s, the first step in meeting external challenges is to set right the American domestic ship on the myriad of today’s issues: fiscal policy, education, health care, police reform, transport and digital infrastructure, discrimination and inequity, and trust in government. These are beyond the scope of this paper. The focus here is on the global challenges

that are a threat to American and world peace and prosperity. These challenges are overwhelmingly transnational and can only be addressed in varying combinations of the triad of the national power instruments of defense, diplomacy, and development. Given our overwhelming military capability, too often we turn to that leg of the triad when it is the other two that would be more appropriate and less costly. It is instructive to look at the major challenges and which instruments would be most relevant (Table 1).

Table 1. Instruments for addressing global challenges

Challenge	Relevant instrument		
	Defense	Diplomacy	Development
Chinese assertiveness	X	X	X
Iran and North Korean nuclear capability	X	X	
Middle East peace	X	X	X
Terrorism	X	X	X
Health pandemics		X	X
Climate change		X	X
Systemic national and global inequities			X
Economic contraction and poverty reduction			X
Migration and human trafficking		X	X
Democracy in retreat		X	X
Growing humanitarian crises		X	X
Restoration of U.S. global cooperation and leadership		X	X

Source: Author

Relationship of diplomacy and development

The ability of the United States to maximize the benefits of its development cooperation policies and resources, and thereby to most effectively achieve its development and foreign policy goals, is constrained by two overarching, related factors: (1) bureaucratic dissonance as to which agency has primary decision-making authority and management responsibility for specific issues and types of development cooperation and (2) the inability of the principal development agency to exercise full authority for the policies and programs for which it is accountable.

In the panoply of some 25 government agencies that play a role in development cooperation and foreign assistance, it is the State Department and USAID that are the principal actors and natural allies. That is not always obvious from their often-dissonant relationship. While individuals and offices do at times work well together on specific issues, particularly in the field, there is too frequently a level of competition and conflict that undercuts the ability of each to carry out its mission and for them to work in consonance. State and USAID should sort through their relative roles and work together to be strong, competent partners. Cabinet rank for the Administrator of USAID and permanent membership on the NSC would signal the respect and status due to development.

Diplomacy and development are distinct professions with distinct expertise that have interconnecting objectives requiring close alignment and coordination. Conflict arises when there are divergent views on how to prioritize competing objectives, how to accomplish a goal, and who has decision-making power.

The relationship between the functions of diplomacy and development, central to the United States achieving its international objectives, is compromised by tension over bureaucratic roles and responsibilities. The core of the problem is the lack of understanding and respect for the assets and roles of the other

function. The differences between diplomacy and development are clear at the conceptual level but cloudy in specific decisions involving influence and power. There is overlap in the capabilities required for both functions. Diplomacy needs sector knowledge but at a broad policy level rather than the deep technical expertise required of development with its responsibility for field implementation and results. Development requires skills in diplomacy and negotiations, but not at the level and constancy of diplomacy.

The core function of the State Department is diplomacy—managing U.S. foreign policy and influencing the policies of other nations. The skills valued for a diplomat are negotiating, analyzing policies, and understanding the history, culture, and political dynamics of a country. Diplomacy seeks to promote long-term country partnerships and stability, but generally is driven by short-term crises and personal relations at the governmental level. State’s most important interactions and counterparts are at the policy level, with the government and in the capital city, not with multiple layers of varied actors and at the local level.

In contrast, the core functions of USAID are development policy and program implementation to facilitate positive change, which, at times, can conflict with State’s objective of near-term stability. USAID’s role extends from short-term relief, to mid-term transition, to long-term development. Development experts focus on political/social economy, sector-specific policies, and analyses of how to solve discrete development problems. The skills that are valued range widely, including knowledge of how to promote inclusive economic growth, alleviate poverty, and build institutions; program and project management; technical expertise in areas such as education, health, energy, democracy strengthening, business environment, credit programs, and evaluation; ability to engage and collaborate with the private sector and civil society; experience in operating in challenging environments. Those in humanitarian roles deal with the here-and-now—keeping people safe and alive. But the core perspective of development, while often having to deal with the short-term, is the longer-term of how to change policy and behavior that will lead to progress over 5, 10, 25 years. Development practitioners engage with government officials but also with a

broad range of local individuals and organizations in private and non-profit arenas.

Building strong instruments of U.S. development cooperation involves change not just for development agencies but also for the State Department and interagency mechanisms and requires the engagement of the Congress.

There is a model, or instructive lesson, to be learned from the defense side of U.S. governmental functions. As Robert Gates points out in the “Exercise of Power,” the foreign policy and development perspective is outgunned by the defense side in the NSC and high level interagency deliberations because the latter has two seats at the table—the secretary of defense and the chairman of the joint chiefs, who typically work in unison—whereas the diplomacy/development side is limited to the secretary of state. What if the latter had two seats at the table? What if the White House and the NSC came to understand that the civilian side is where the bulk of the action is in international affairs and is fundamental to U.S. global leadership? What if State came to understand that it is the resources and operational integrity of the military services to make decisions based on their technical and analytical expertise—and their relative independence and ability to give the congress a frank assessment of the state of our national security—that give the military services respect and a powerful voice at the table? What if USAID had a comparable level of independence of thinking and policymaking based on well-developed expertise that would garner similar acknowledgement and respect? Then State would have a second, strong civilian voice in inter-agency councils.

The alternative approaches to righting the State-USAID relationship to make it more productive and iron out the dissonance—and thus more effective in advancing U.S. international interests—are:

- On the premise of “don’t let a crisis go to waste”—a major revision that will set, for the next quarter-century or more, the functioning of U.S. government development cooperation so the U.S. can assert its leadership and responsibility to address global challenges, or

- On the premise that the political system will bear only gradual change—incremental steps that will correct some of the major disconnects and better set lines of authority in current structures and responsibilities.

Both approaches involve a mix of actions by the executive branch and congress. Whichever branch has the lead on a specific action, it is best taken in collaboration and with a degree of consensus. The more ambitious reconfiguration would require recognition that we are in a unique moment that offers the opportunity to correct long standing dysfunction and a compact of political will between the President; the leaders of the State Department, Treasury Department, NSC, USAID, MCC, and other agencies; congressional committees of jurisdiction; along with support from civil society groups. The task is daunting and require expenditure of political capital, but the reward would be creating the framework for effectively meeting global challenges and reestablishing U.S. international leadership for the next several decades. What follows offers both ambitious restructurings and the more incremental.

1. Coherent foreign aid structures for better alignment

Form following function.

Agency structures and responsibilities should be aligned according to the objectives set forth in the proposed U.S. Global Strategy and the three-component defense, diplomacy, and development strategies (outlined below). Creating a structure that will ensure the most effective implementation of U.S. development cooperation objectives requires acknowledgement of the shortcomings of current structures and basic premises, including:

- **Fragmentation:** The current fragmentation of responsibility for development cooperation, spread over some 25 government agencies, prevents the U.S. from having strategic, coherent policies and programs, resulting in inconsistent and even contradictory policies and duplicative, uncoordinated activities; creates confusion among partners as to whom and what agency to address on a particular issue; deprives the U.S. from presenting a unified position toward partner countries and in international fora; wastes valuable, scarce government human resources.
- **Lines of authority:** The private sector and the military, have long understood that clear lines of authority are essential to good decisionmaking and accountability. Line managers and field commanders are called on to inform strategies and are given day-to-day authority to adjust business tactics and battle plans. Fragmentation prevents clear lines of authority. Coordination, at times essential, is a second-best solution.
- **Decentralization:** The private sector understands that decisionmaking is best pushed down the line, to those closest to the customer. This is overwhelmingly the case from the development perspective, as development programs can be effective only when fitted to the local context and engaging local actors. Localization is widely recognized as

best practice in development. USAID is fundamentally a decentralized agency that has the most impact when authority rests with the field, with the ability to adapt programs to the local context and changing dynamics. In contrast, the dominant structure in the State Department is centralization, structured to ensure coordinated messaging throughout its global footprint, with headquarters setting and managing policy.

- **Clear “lanes” for diplomacy and development:** Too often State Department officials extend their reach, seeking to determine development policy and oversee management of development programs for which they lack the expertise, experience, and rigorous processes. This brings unnecessary, duplicative oversight, inefficiencies, and confusion that interferes with proper development management. The State Department is at its best when carrying out its core mission of deploying diplomatic skills to advance U.S. foreign policy objectives. There are areas in which foreign policy goals and development objectives intersect and inform each other, principally at the policy level. Diplomatic assets and active engagement by State Department officials can be deployed to advance development objectives, and USAID detailed on-the-ground knowledge of the country and development helps inform foreign policy. There are assistance policies and programs that are fundamentally of a foreign policy/security nature for which State Department management (INL, NADR, peace keeping) and leadership (Plan Colombia) are relevant and appropriate. With a light touch, State Department officials can bring an important foreign policy perspective to inform development issues. With Plan Colombia, State Department leadership was effective in bringing agencies together around a comprehensive plan integrating multiple tools of power—military, anti-narcotics programs, development programs, Department of Justice rule of law—and periodically coordinating adjustments to adapt to changed circumstances. A prime example of misplaced responsibility is the PEPFAR, which under State control has kept this important program siloed as humanitarian in nature, providing retrovirals (critically successful in keeping millions of people alive). In

contrast, were USAID to have managed the program, it more likely would have made it multisectoral (HIV/AIDS is more than just a matter of health) and aligned it with its broader efforts to build health systems, the essential role of which has been all too dramatically demonstrated by SARS, Ebola, and now COVID-19. It is important to realize that, while State may assert its authority in development programs, it is USAID that is held accountable by the Congress, the Inspector General, the GAO, and the media. I don't know if she would accept the analogy, but the rationale for respecting expertise is poignantly presented by Madeleine Albright in her new autobiographical book in a vignette about filming an episode of "Madame Secretary" (see Box 2).

Box 2. Madeleine Albright

While the morning and the filming wore on, I was struck by how differently people behave depending on circumstances. Hillary, Colin, and I had all held high positions in the executive branch; Tea Leoni is a glamorous television star. We were all accustomed to giving orders, yet spent the whole time doing exactly what we were told by assistant directors, camera operators, audio technicians, cosmeticians, and light experts. There were lessons in this – were there not? – about the utility of teamwork, the value of listening, and the need to respect the talents of others.⁸

Actions

Steps that can be taken individually and collectively to reduce fragmentation:

- A) At the most ambitious level, it is not hyperbole to state that, as Anne-Marie Slaughter has noted, we are at a 9/11 moment—the incoherent response to COVID-19 has laid bare the antiquated, dysfunctional bureaucratic national

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⁸ Madeleine Albright, "Hell and Other Destinations," (New York: Harper Collins Publishers, 2020), page 273.

security structures and disarray in U.S. policymaking and inability to effectively address global challenges that requires...

- **2020-2050 Global Challenges Commission**—similar to the 9/11 Commission, with representation from both political parties and the congress, administration, and civil society, establish a congressional/administration sanctioned commission to address the global challenges confronting the U.S. and the world and the best means to address them. Either created in parallel or as a result of this commission, would be the establishment of a...
- **Department of Global Development:** Bring together into a single cabinet department, led by a secretary who sits in the cabinet, the various functions and programs of development cooperation, both bilateral and multilateral, to operate under a common strategy in pursuit of common goals and under consistent leadership to address development cooperation and global challenges. The arrangement could be either full integration or a family of entities operating under a unified budget and policy function and a shared strategy. Anne-Marie Slaughter has recently articulated the need for a Department of Global Development staffed by a Global Service that draws talent as needed from across the government and from American business, academia, and NGOs.⁹

B) Short of this more ambitious approach, there is a range of actions that can enhance the development function:

- **Cabinet status for USAID Administrator:** Give development the status it requires, representation at high level interagency deliberations, by designating the USAID Administrator as a cabinet-level officer, which designation the Director of National Intelligence holds and as past presidents have done for the U.S. Ambassador to the U.N., the special trade representative, and several other senior administration officials. The

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⁹ Anne-Marie Slaughter, "Reinventing the State Department", *Democracy*, September 2020, <https://democracyjournal.org/magazine/reinventing-the-state-department/>

Administrator would still report to the President through the Secretary of State.

- **Consolidation of key functions:** Consolidate into USAID key development programs: (1) PEPFAR—has remained mostly an emergency humanitarian program for over a decade and should be transitioned into a development program helping countries to take ownership and develop essential health systems, and so fits with USAID’s programs to assist countries to build coherent healthcare systems, as proposed in the 2011 QDDR; (2) MCC—merge MCC into USAID and adapt some of its elements to USAID programming, but maintain MCC as a separate entity, retaining its brand, country eligibility criteria, and other processes; (3) sort strategically through programs common to both State and USAID (such as humanitarian assistance, human rights, and democracy promotion) as to which aspects each agency is best positioned to lead and manage) and which development-like programs should continue to be managed by one of the other many agencies or transferred to the principal development agency USAID.
- **Chair of MCC:** Short of a merger, as an alternative method of enhancing coherence and facilitating a single U.S. voice for development cooperation, and because the MCC functions principally at the level of deputy and below, all agency board representation should be at the deputy level and the Administrator of USAID designated the chair, with the State Department deputy secretary or economic undersecretary as the vice-chair, thereby ensuring the appropriate level of foreign policy review and input.
- **Chair of the DFC:** As the DFC is designed to work closely with the private sector, the chair should be one of the private sector board members, with the Administrator of USAID and the State Department deputy secretary or economic undersecretary as vice-chairs.
- **Inter-agency Coordination:** Designate the USAID Administrator chair of the interagency DCC, authorized by section 640B of the Foreign Assistance Act

- **NSC:** Make USAID a permanent member of the National Security Council.
- **USAID restructuring:** Work with Congress to gain consent for the proposed Bureau for PRP, led by a Senate confirmed assistant administrator. The well-designed USAID transformation plan,¹⁰ finalized in 2019, reorganizes the agency to better align structure with programs. Still pending is congressional approval of the important merger of policy, budget, and performance into the proposed PRP that will provide the agency with a strategic approach to policy and budgeting.
- **State Department assistance coordination/budget offices:** While the specifics of a needed State Department organizational re-envisioning are beyond the scope of this paper, its multiple offices for budget/assistance management and coordination hinder the ability to strengthen the development function. A basic issue is why State has several offices dealing with assistance budget matters: a central budget office (M Bureau), a central assistance budget information/coordination unit (F) (half the staff is USAID personnel), and regional aid units (EUR/ACE and NEA/AC). Multiple overlapping offices hinders coherence and wastes scarce staff resources. A leaner structure would better fit a mandate to share information and coordinate rather than asserting oversight of the management of USAID programs.
- **Goldwater-Nichols model:** The needed coordination between the State Department and USAID, and an understanding of the operations and perspective of the other agency, can best be facilitated through adopting a Goldwater-Nichols model for USAID and State (and MCC and DFC). Under this model, personnel would be assigned to relevant offices in the other agency for two-year stints, even adopting from the military a requirement of a rotation to another agency for promotion into senior ranks.
- **State/USAID core responsibilities:** The President/NSC should direct that State and USAID abide by their respective diplomacy and development

¹⁰ "Transforming USAID's Structure," USAID, <https://www.usaid.gov/what-we-do/transformation-at-usaid/transformation-structure>.

roles. To implement this directive, the Secretary of State and USAID Administrator should issue an MOU to their employees outlining USAID/State working relations, including respect for each agency's core expertise and responsibilities.

- **Global health security:** The urgency of global health security requires a more strategic approach that: puts the overarching responsibility for health programs and funding in a strengthened USAID, acknowledging its broad development and health planning and implementation and the narrower but deeper health expertise of CDC; outlines the health diplomacy role of the State Department; and puts interagency coordination at the NSC. The proposed global health security restructuring by the Trump administration, which would shift critical international health-related responsibility from USAID to a coordinator in the State Department, is incoherent and poorly designed. The State Department has neither the staff expertise nor rigorous processes to develop and manage multi-billion-dollar health programs. To put it in charge would add an unproductive bureaucratic overlay.¹¹ Proposals in several more carefully designed Senate¹² and House¹³ bills range from a more narrowly defined State health coordinator to an NSC coordinator. H.R. 2166, establishing a 14-agency Interagency Review Council and requiring the appointment of a U.S. Coordinator for Global Health Security (suggested as an NSC staff person) passed the House on September 22 and is included in the September revision to the HEROES Act funding COVID-19 response. Elements of a more strategic approach to health security would include:
 - COVID-19 Response & Recovery Plan: NSC and USAID to work with relevant agencies to develop a U.S. plan to help countries deal with the COVID response and recovery, specifically targeting health,

¹¹ For detailed analysis, see <https://thehill.com/opinion/international/512317-usaid-should-lead-global-pandemic-response-in-an-age-of-great-power>

¹² S 3302 and S 3829

¹³ HR 2166, chief sponsor Representative Gerry Connolly

education, economic activity, civil society, women and marginalized populations, and human rights;

- move PEPFAR to USAID;
- assign health diplomacy to the relevant State Department undersecretary or assistant secretary;
- designate a senior NSC staff person as the Global Health Security Coordinator;
- implement former USAID Administrator Andrew Natsios' proposed PEWS,¹⁴ replicating the successful USAID-created FEWS¹⁵ that for 40 years has anticipated food crises; it could be joined/integrated with GOARN¹⁶ in the WHO;
- participate in COVAX;
- work with other countries to strengthen the WHO;
- review and expand the USAID-supported Global Health Security Agenda and provide USAID full budget authority for its execution.

¹⁴ Andrew S. Natsios, "Predicting the Next Pandemic: The United States Needs an Early Warning System for Infectious Diseases," *Foreign Affairs*, July 14, 2020, <https://www.foreignaffairs.com/articles/united-states/2020-07-14/predicting-next-pandemic>.

¹⁵ <https://fews.net/>

¹⁶ GOARN is a network housed at the WHO that coordinates health outbreak response missions, activities, and communications.

2. Statute

Development and foreign assistance need a 21st century congressional/executive branch compact to update its statutory authorities and objectives.

At the beginning of the next administration, the Foreign Assistance Act (FAA) of 1961 will be 60 years old. At only half that age, 1989, the House Committee of Foreign Affairs issued a report noting that FAA was a hodgepodge of hundreds of pages with some 33 objectives and even more priorities that provide no coherence for U.S. development policies and programs. This smorgasbord of requirements necessitates a bureaucracy of staff devoting unproductive time to compliance with incoherent legislative mandates at the expense of focusing on development activities, innovation, and genuine impact and accountability. Since that first attempt to rewrite the FAA, and several subsequent efforts,¹⁷ none of which entered into law, the Act has become even more encumbered with overly detailed, inconsistent, outdated provisions. It provides neither a clearly defined set of objectives and priorities, nor is it a basis for holding development cooperation policies and programs accountable. The U.S. foreign relations agenda is simply too important to rely on 60-year old legislation that has not been updated since 1985.

Action

- **Global Development Act:** A special task force comprised of senior administration officials and members of relevant congressional committees, informed by input from civil society organizations, should identify objectives, operational guidelines, and legislative parameters for a new statute to replace the Foreign Assistance Act. The new statute should

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¹⁷ The most recent effort was from 2008-2010, a broadly consultative exercise led by Representative Howard Berman, then chair of the House Committee on Foreign Affairs, that produced a comprehensive draft successor statute to the Foreign Assistance Act.

remove unproductive barnacles that encumber and slow programming and provide the flexibility to effectively address constantly changing global and country-specific development challenges. In these highly partisan times, this should be undertaken only if there is a bipartisan/bicameral (the two authorizing and two appropriations committees) agreement with the administration to work together on the core frame and principles for drafting the new statute. Agreed guidelines on writing the new law are critical in order to set parameters for the drafters on sorting through the complexity of the issues and the multiple interests in what and how development cooperation is designed and implemented.

3. Strategy and policy

Strategic analysis and framework facilitate and make for smarter, more effective policymaking and budgeting.

The relevant model of strategy comes from the Defense Department, which, pursuant to the National Defense Authorization Act of 1997, has issued five Quadrennial Defense Reviews (renamed National Defense Strategy for the sixth in 2018) that analyze strategic military threats and objectives. The State Department and USAID released a QDDR in 2010 and 2015, which were limited to outlining policy priorities along with implementation recommendations rather than providing a broad strategy identifying and addressing diplomatic and development challenges and objectives. In 2010 the White House issued a presidential policy on global development that provided comprehensive interagency guidance on development policy but was not a strategy.

Actions

- **U.S. Global Strategy:** Congress should require by statute, and each administration in its first-year issue, a comprehensive U.S. Global Strategy that provides a guide on how the U.S. should address the range of global challenges. This strategy would be built on a triad of strategies, one each for Defense, Diplomacy, and Development (covering both bilateral and multilateral development), developed with extensive input from Congress and civil society.
- **Global Development Policy:** A narrower approach, or as a prelude to a Global Development Strategy, is for the administration, following the example of the Obama administration, to issue a comprehensive, government-wide development policy (bilateral and multilateral).
- **USAID Mission Director strategic role:** Under the frameworks of the development strategy or policy, given the large number of agencies represented at embassies, many engaged in some form of delivering

foreign assistance, the USAID Mission Director should be designated the assistance coordinator to the Chief of Mission and charged with coordinating a country-level strategy that encompasses the development cooperation activities of all U.S. government agencies operating in the country. The wrong model is where an embassy appoints as the “assistance coordinator” a State Department foreign service officer with little knowledge or experience with development or foreign assistance.

- **Development priorities:** An administration’s development legacy is formed by its signature programs—PEPFAR and MCC for the Bush administration; Feed the Future and Power Africa for Obama. The new administration should, as part of its policy development, identify key initiatives. For example:
 - *Health security:* see outline in *Global Health Security* (page 26-27 above) in section entitled “Coherent foreign aid structures for better alignment.”
 - *Climate change:* USAID to develop, with interagency and civil society participation, a strategy to build climate change into USAID strategies and programs.
 - *Digital initiative:* Power and the Internet. Humanity is largely living and working online. Digital has the power to create and undermine—to make economic production more efficient and inclusive, but Russia, China, and autocracies are weaponizing the internet. The U.S. can initiate a multi-donor public/private global digital development initiative to bring developing countries into the digital age—a trifecta of benefits: development benefits for recipient countries; foreign policy/strategic benefits as a counter to Chinese aggressiveness on 5G and Russian disinformation; U.S. commercial gains.¹⁸
 - *SDGs:* The U.S. government to commit to the U.N.’s SDGs and use the frame to report on U.S. development programs and results.

¹⁸ Outlined by author in forthcoming Brookings paper series on donor collaboration in Southeast Asia.

- **Broad development/economic policies:** Global development, and the U.S. role as a global development actor, is impacted by policies and actions well beyond the traditional concept of development cooperation and foreign assistance. The policy announcements outlined for the first week of the new administration need to be fully developed and put into action through extensive interagency collaboration, with the leadership and engagement of the State Department, USAID, other responsible departments and agencies:
 - Rejoin the Paris Agreement on climate change
 - Commit to the SDGs
 - Remain a member and work to strengthen the WHO, particularly its ability to strengthen countries' defenses against pandemic diseases
 - While advancing our interests in the WTO, play by the rules, including approving new judges to the dispute resolution mechanism
 - Meet U.S. financial commitments to and enhance the ability of the international development institutions to address key global challenges, particularly to address COVID-19
 - Update domestic policies and legal requirements in line with principal international economic and development norms, including:
 - Disclosure of beneficial ownership (beneficial owner is the natural person who ultimately owns an entity; the trend internationally is to end the practice of allowing beneficial ownership to be hidden from the public record)
 - Disclosure of country-by-country reporting on taxes and royalties, important for transparency and stemming bribery
 - Collaboration with the OECD BEPS¹⁹ to reduce tax avoidance through minimum taxation in country of origin

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¹⁹ 135 countries are collaborating on “Base Erosion and Profit Shifting”, rules to end tax avoidance through gaps and mismatches in tax regimes.

- Strengthen legal framework on capital flight

4. Budget levels

Budget driven by strategic planning.

The Defense budget (\$738 billion for FY 2020) is 13 times the size of the budget for diplomacy and development (International Affairs Budget), which in real terms has stagnated just below \$60 billion for a decade. The funding for ensuring the security and international interests of America is appropriated in three separate appropriations bills—Defense, Homeland Security, and International Affairs. Secretaries of defense and career military leaders have repeatedly called for greater resources for prevention and prosperity (diplomacy and development), but the budget framework creates impenetrable firewalls between the three budgets. The Defense budget is singular within its own budget category, whereas International Affairs and Homeland Security are lumped into a category that puts them in competition with domestic discretionary spending. Combining the three budgets in a single package would create an opportunity to recognize the underfunding of the prevention and prosperity elements of the U.S. Global Strategy. The main risk to this approach is the potential for “securitization” of the International Affairs Budget, a danger less likely if the stature of USAID is elevated by the Administrator having cabinet rank and USAID a permanent seat at the NSC.

Action

- **Global National Interest Budget:** The U.S. Global Strategy, along with the three more detailed Defense, Diplomacy, and Development strategies, would provide the policy analysis and objectives needed to align budget resources with global challenges and opportunities. A combined Global National Interest Budget would provide the framework to allow a balanced tradeoff between the various components of U.S. strategic international interests.

5. Budget Processes

Budget processes need to be nimble and timely.

Two problems in the management of the foreign assistance budget are particularly important to note:

1. USAID authority: USAID lacks adequate authority to manage its budget, yet is held accountable by OMB, Congress, and the media. The Office of Foreign Assistance (F) in the State Department, established in 2005, was preceded by the Office of Resources, Plans and Policy. That prior office focused on coordinating assistance—ensuring there was foreign policy input into relevant elements of the foreign assistance budget, ranging from providing a foreign policy perspective into USAID-managed budgets (development, health, humanitarian, disaster assistance) to more in-depth oversight of State Department security/foreign policy focused ESF and security assistance. State’s role on ESF, driven by foreign policy priorities but some 80 percent implemented by USAID, was focused at the policy level and the amount of assistance allocated to specific countries, not on management and implementation. That process worked relatively well, ensuring coordination and foreign policy input to the degree appropriate without unnecessary and intrusive duplicative management of development programs. That changed with the Office of Foreign Assistance, which was designed to be a central point of data on foreign assistance and to coordinate assistance across the government. It has never performed the latter function, in part because the State Department is not viewed by other agencies as “neutral arbiter” as it has become an implementer of foreign assistance activities itself, and lacks sufficient interagency clout, with departments such as Defense, Treasury, and Agriculture not submitting to its purview. Its “coordination function” has essentially been limited to going beyond coordination to exercise authority over USAID in what is often unnecessary and unproductive bureaucratic layering.

Actions

- **USAID budget authority:** USAID should be assigned full authority and receive direct apportionment over the budgets it implements.
- **Operational plans:** Eliminate the requirement that USAID submit generally unuseful Operational Plans²⁰ to F.
- **Scope of F:** The mandate of F should be designated to: (a) serve as the Secretary of State's source of information and advice on all-things foreign assistance, specifically what assistance is being deployed on what programs by what agencies; (b) coordinate and oversee assistance programs managed by State; (c) serve as the liaison with USAID's proposed Bureau of Policy, Performance and Resources to coordinate policy and State input into and review of the USAID budget; and (d) but not try to exercise interagency coordination of assistance, as to-date that function has never been effectively performed.

2. 653(a) timeliness: As analyzed in a 2018 GAO report,²¹ the process for allocating foreign assistance following enactment of the annual foreign operations appropriation bill is dysfunctional and a major barrier to the timely allocation of assistance. Through the 653(a) process, after enactment of the foreign operations appropriations, the administration is charged with aligning each budget line item with the enacted appropriations level and then negotiating that allocation with appropriations committee staff. The process took 230 days in 2015 and 80 days in 2016, and in the last two years 265 and 178 days.

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²⁰ The F Office requires USAID missions to annually submit operational plans detailing implementation of mission strategies. Producing OPs are time-consuming and redundant to existing processes and delay the availability of funds as F withholds funding allocation until OPs are submitted.

²¹ "State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting," GAO, September 9, 2019, <https://www.gao.gov/products/GAO-19-600>.

Box 3. 653(a) process timelines

Timeline for FY 2019: 265 calendar days from enactment to transmittal of the 653(a) to Congress).

- February 15, 2019: FY 2019 Appropriations bill enacted.
- August 9, 2019: State Department submitted 653(a) allocation to OMB for approval.
- October 29, 2019: 653(a) summary tables submitted to Congress.
- November 7, 2019: Detailed 653(a) report submitted to Congress.

Timeline for FY 2020: 178 calendar days from enactment to transmittal of the 653(a) to Congress).

- December 20, 2019: FY 2020 Appropriations bill enacted.
- April 30, 2020: State Department submitted 653(a) allocation to OMB for approval.
- June 15, 2020: 653(a) summary tables submitted to Congress.
- June 15, 2020: Detailed 653(a) report submitted to Congress.

But that's not all: The 653(a) is just one of multiple pre-obligation requirements that include, for example, basic project design, environmental compliance, gender analysis, congressional notifications, some of which may be executed earlier, but others not. The timing varies by account, type of project, and country. USAID has a pre-obligation requirement checklist²²—once those pre-obligation requirements are met, money can be obligated. These are just the internal requirements, on top of which are important negotiations with host-country counterparts to ensure that development cooperation programs have local ownership.

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²² The checklist is available at <https://www.usaid.gov/sites/default/files/documents/1870/201mad.pdf>.

In fact, the budget planning process starts 3-4 years before funds are available to be spent—beyond notional planning, what is the value of setting funding years ahead in rapidly evolving contexts, especially fragile environments?

Actions

- **Timeline:** Congress to legislate a reasonable timeline for the 653(a) process (current law sets a 30-day limit).²³
- **653(a) responsibility:** Assign to USAID 653(a) responsibility for the funds it manages.
- **Redesign:** Administration and Congress to engage the National Academy of Public Administration to design a process that meets budget and legal requirements but is more nimble and quicker.

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²³ As a precedence, in the 1980s the Congress set an arbitrary deadline for issuing export control licenses, after which a license would be automatically approved, and that sped up the review and issuing of export licenses.

6. Personnel

The State Department and USAID will be successful only to the extent they are staffed with the right personnel who are provided with proper direction and support.

Colin Powell sought to rebuild the ranks of the State Department when he assumed the position of Secretary of State in 2001. Henrietta Fore in 2007 set a goal of doubling the number of USAID Foreign Service personnel. In the last several years, the agencies' staffing has been depleted with an historic level of departures. USAID Foreign Service personnel fell from a level of around 1,800 in 2016 (1850 if Foreign Service limited hires are counted) to some 1,600 in 2019, and Civil Service personnel hit a low of 1,233. USAID is targeting to reach a Foreign Service level of 1,725 by the end of FY 2020 (the level funded in the FY 2020 appropriations bill is 1,800) and 1,500 civil servants. Neither agency has the staff to adequately address the range of issues and interagency demands it faces nor the resources to invest adequately in the professional development of its personnel. In contrast, the Defense Department comes to the interagency backed by months of planning, reams of data, and deep support teams, and on an annual basis has some 10 percent of its personnel in professional development programs.

A) Political appointments

Political appointees bring fresh ideas and talent, serve to align agency and administration policy, and often provide an agency high level access to other political appointees, the Congress, and important stakeholders outside government. However, effective management of the vast scope of an agency's responsibilities depends principally on the expertise and experience of career staff.

The proportion of political appointments has crept dangerously high in recent years, especially at the State Department, where over 40 percent of

ambassadorships currently are political appointees, and many positions at headquarters and overseas have gone unfilled. For the first time, no assistant secretary position is held by a Senate-confirmed career officer. Section 625 of the Foreign Assistance Act authorizes USAID 110 positions that are “administratively determined” (i.e., political appointments). Recent administrations have utilized this authority to fill approximately 70 positions, principally by individuals with specific technical and policy skills. But the current number is 109, many without relevant skills and experience and appointed at lower levels which typically were staffed by career professionals, and some with an extreme ideological bent in conflict with core USAID culture and policies. A heavy overlay of political appointees stifles career advancement, discouraging many talented officers from staying in public service.

USAID has been hamstrung in recent administrations by an inordinate delay in sending to the Senate the nomination of the administrator. The administrator has assumed office only 6-12 months into an administration, leaving the agency with temporary, non-political leadership lacking the stature and access to adequately represent the agency when key policies and decisions are made in the early months of an administration.

Actions

- **Timely nomination:** The nominee for administrator of USAID should be announced along with the nominee for Secretary of State.
- **Political appointees:** Political ambassadorships should be limited to 10-20 percent of embassies (prior to the current administration it was in the range of 30 percent), and the Senate Foreign Relations Committee should fully execute its role of advice and consent by carefully reviewing all nominees for relevant expertise and experience and stating publicly it will confirm only qualified candidates.
- **Career appointments:** State and USAID should reserve a significant portion of senior positions (assistant secretaries & deputy assistant secretaries; assistant administrators and deputy assistant administrators;

and above) for career staff both because many positions need the experience and knowledge of career professionals and to provide opportunities for advancement of career staff.

B) Personnel systems

The depletion of staffing at State and USAID is at a critical level. Both agencies have been hollowed out, particularly over the past four years. USAID staffing has declined from some 15,000 in the 1970s to a few thousand today, while the level of funding the agency manages has increased multiple fold. Many inherently governmental functions that should be assigned to full-time government employees are now contracted out through costly hiring mechanisms. One-quarter of the senior Foreign Service has left the State Department since 2017. USAID and State have personnel systems modeled on the military—enter the service as a junior officer and work up or out. Is this the relevant model for 21st century diplomacy and development?

1) State: This path may well be appropriate for diplomacy, where diplomatic skills are paramount and best honed through practice, but there should be recognition of the value of mid-career hires as experience in other fields—development, business, law, academia, even politics—husband relevant competencies, including technical and geographic knowledge, management experience, and interpersonal and diplomatic skills. Further, career ambassadors follow a rather narrow career path and come from a narrow segment of State Department professionals. Given the imperative for greater diversity in personnel and the broad range of responsibilities of many chiefs-of-mission, ambassadors should be recruited from across the State Department’s many different career paths and from other agencies.

Action

- **Updated personnel system:** State should modernize its personnel system as outlined in the 2019 report by the Academy of Diplomacy²⁴ and the 2011 report of the Stimson Center and the Academy of Diplomacy.^{25,26}

2) USAID: USAID is in the midst of a commendable workforce planning exercise to improve its personnel system.²⁷ The rework seeks to create a more agile hiring system, including an effort to collapse some 25 cumbersome and costly hiring mechanisms into a few that are more flexible and nimble.²⁸ However, what the agency needs is a fundamental re-envisioning of its personal system for the 21st Century. Long-term career service is important for core USAID managers to develop experience with agency rules, processes, and policies, but USAID is also dependent on staff with highly developed and constantly advancing technical skills which do not require years of service in a bureaucracy; in fact, such skills can become dulled from constant dealing with agency rules and regulation, paperwork, and a focus on program management. If USAID is to perform as a foremost development agency, it needs a more adaptable personnel system with greater ability to bring in for periods of 2-5 years and mid-career highly skilled and respected technical professionals that can contribute to putting the agency at the forefront of technical knowledge and leadership. Moreover, the agency must have a workforce that represents the face of America.

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²⁴ "Strengthening the Department of State," *American Academy of Diplomacy*, May 2019, https://www.academyofdiplomacy.org/wp-content/uploads/2019/05/AAD_Strengthening_the_State_web_version.pdf.

²⁵ "Forging a 21st-Century Diplomatic Service for the United States through Professional Education and Training," *Stimson Center and American Academy of Diplomacy*, 2011, <https://www.academyofdiplomacy.org/wp-content/uploads/2016/01/Forging-a-21st-Century-Diplomatic-Service-Full-Content.pdf>.

²⁶ For more creative change of the State Department personnel system see: Anne-Marie Slaughter, "Reinventing the State Department", *Democracy*, September 2020, at <https://democracyjournal.org/magazine/reinventing-the-state-department/>; and, William Burns and Linda Thomas -Greenfield, "The Transformation of Diplomacy: How to Save the State Department", *Foreign Affairs*, September/October 2020, at <https://www.foreignaffairs.com/articles/united-states/2020-09-23/diplomacy-transformation>

²⁷ 2020 Interim Strategic Workforce Plan.

²⁸ Adaptive Personnel Project

Further, the ability of USAID staff to effectively manage its programs is constrained by “fortress embassies and strictures” that inhibit U.S. staff from venturing out and local stakeholders from venturing in, congressional and administrative constraints on the number of USAID personnel in a country, and a false assumption that in-country assignments of 1-3 years are adequate for the management of projects that last 5-7 years in programs that take 10–20 years to come to fruition—look at the time it took South Korea, a successful model, to develop. A single year tour in fragile countries shortchanges USAID staff ability to understand and function in a country, to establish working relations with local stakeholders, and to effectively manage programs that take years to produce results.

Actions

- **Diversity:** USAID has a draft policy on diversity, equity, and inclusion that should be finalized and implemented. The agency needs to enhance respect and opportunities for those traditionally marginalized, including women and minorities. The plan should set forth ambitious goals to increase diversity and inclusion in the Civil Service and Foreign Service and an action plan to achieve those goals, with an annual review to measure progress and determine forward action. The plan should cover retention, leadership opportunities, and agency culture, and have clear mechanisms for accountability.
- **Personnel level:** Permanent USAID staffing needs to match the level of funding the agency manages and its policy responsibilities, and to adequately perform responsibilities that are of an inherent government nature. An assessment in the past administration determined that for the Foreign Service that would be a level of 2,400. This assessment should be updated to determine the level of permanent staffing required for the agency to properly execute its responsibilities.
- **Interagency Processes:** USAID has relevant expertise and experience in dealing with the range of urgent global political/economic development issues, but to meet the increasing demands of interagency processes it

needs additional personnel and ready access to high level classified information and documents.

- **Flexibility:** The agency needs a more fluid personnel system with the ability for staff to move in and out of the agency to gain knowledge and experience without losing tenure and stature and to bring in highly skilled technical professionals for mid-career recruitment and 2-5-year assignments.
- **FSNs:** USAID would be strengthened by an enhanced role and career track for FSNs, who provide the bedrock of a USAID mission due to their long-term “memory” of mission activities, knowledge of the country, technical expertise, and ability to function in the local culture. They should have opportunities to serve in senior mission positions and be granted greater decisionmaking authority, the need for which is made starkly apparent by their expanded responsibilities during the COVID-19 pandemic.
- **Career development:** USAID should establish a career-long professional development program, with sufficient staffing levels and budget that permit a 10 percent “float” of staff in professional development/training programs.
- **Agency personnel exchange:** USAID should participate with State and other relevant agencies in an expanded Goldwater-Nichols-type personnel exchange program.
- **Budgeting for staff:** The administration and Congress should review the manner of funding staff through the OE budget. USAID’s staffing resources are constrained by being one of the few agencies which fund part of its human resources in a separate OE budget and part from program resources. Recognition needs to be given that much of the agency’s staff is a core part of the development effort, not just administrative overhead. The agency should engage OMB and the appropriations committees about the most propitious way to fund human resources.
- **New personnel system:** The administration and Congress should engage the Academy of Public Administration to partner in designing a 21st

century personnel system. A starting point for re-envisioning USAID personnel is Anne-Marie Slaughter's concept of a Global Service, removing the distinction between Foreign Service and Civil Service and drawing talent from across the government and throughout America²⁹.

²⁹ Anne-Marie Slaughter, "Reinventing the State Department", *Democracy*, September 2020, at <https://democracyjournal.org/magazine/reinventing-the-state-department/>

7. Development finance

In 2018, the Congress passed the BUILD Act, authorizing a long-sought-after enhancement of the capabilities of the OPIC. The BUILD Act provides the successor organization, DFC, with expanded authorities and scope by doubling its contingent liability to \$60 billion, subsuming USAID's DCA, authorizing great flexibility on U.S. preference,³⁰ and broadening its financial tools to equity, local currency loans, and grant technical assistance. The Act gives the DFC a strong development mandate (along with advancing U.S. foreign policy), including prioritizing low-income and fragile countries, requiring measurement of project impact and publishing that and other project information, and creating the new position of Chief Development Officer. OPIC did commendable preparatory work in drafting a new development impact tool (Impact Quotient) and revisiting OPIC procedures, but fulfillment of the development mandate is a work in progress and requires several specific actions, and there is some indication that current leadership is focus more on deal flow and foreign policy objectives at the cost of the development mandate.

Actions

- **Equity:** To correct the costly OMB decision to improperly treat equity like grant assistance—a dollar of equity requiring a dollar of appropriated funds—the administration should (1) direct OMB to treat equity like loans under Federal Credit Reform and/or (2) support legislation to amend the BUILD Act to score equity as a financial instrument with financial returns (would require possibly a 5 percent appropriations level rather than a 100 percent appropriations level).
- **Transparency:** With development finance institutions struggling to meet demands for greater transparency, the leadership of DFC should work to

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³⁰ The requirement under OPIC that any project have a minimal level of participation by a U.S. citizen.

establish the corporation as a model for development finance transparency and accountability, as mandated by the Foreign Aid Transparency and Accountability Act in publishing data on the details of project investments and impact and on conducting and making public project evaluations.

- **Low income countries/risk/subsidy:** Regarding the mandate to prioritize investment projects in low income and fragile states, the DFC should assess what is required to fulfill this mandate, including the need to take on greater risk and ability to provide project subsidy and technical assistance.
- **Development mandate:** There are indications that the DFC has been prioritizing deal flow and foreign policy priorities over development priorities, a balance which needs to be reversed. In particular, the new Administration should assess the May 2020 emergency authority under the authority of the Defense Production Act assigned to the DFC in response to COVID-19 to provide financing for the domestic supply chain and likely terminate this mis-deployment of the DFC for domestic investment financing that is outside its legislative mandate to support economic progress in developing income countries.
- **DFC/USAID Collaboration:** Collaboration between the two agencies can leverage the resources and assets for greater impact. They are beginning to find ways to work together. The new administration should double-down on this effort through staff exchanges, using USAID's worldwide reach for input to vet proposed projects, joint financing and support for projects, and integrating USAID field staffs into DFC operations.

8. Fragility

Fragility is the existential threat to development and achieving the 2030 global goals.

According to the OECD *States of Fragility 2020*, 57 countries are in varying degrees of fragility. Pre-COVID-19, the portion of the world's population living in fragile environments was projected to rise from 24 percent (1.8 billion) in 2016 to 28 percent (2.3 billion) in 2030. The impacts of COVID-19 will undoubtedly send this number higher.

Policy analysis and prescriptions as reflected in three recent documents—the GFA (enacted in December 2019), the 2019 report of the USIP sponsored Task Force On Extremism in Fragile States *Preventing Extremism in Fragility States*,³¹ and the administration's SAR³²—all point to the need for the U.S. to direct concentrated attention on the prevention of fragility.

USAID's restructuring (referred to as "transformation") improves its ability to address fragility and resilience through bringing under a newly created Associate Administrator for Relief, Response and Resilience the three units that deal with humanitarian relief, food assistance, and conflict response— BHA, CPS, and RFS.

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³¹ Task Force on Extremism in Fragile States, "Preventing Extremism in Fragility States: A New Approach," *U.S. Institute of Peace*, February 2019, <https://www.usip.org/publications/2019/02/preventing-extremism-fragile-states-new-approach>.

³² "Stabilization Assistance Review: A Framework for Maximizing the Effectiveness of U.S. Government Efforts To Stabilize Conflict-Affected Areas," *U.S. Department of State*, 2018, <https://www.state.gov/reports/stabilization-assistance-review-a-framework-for-maximizing-the-effectiveness-of-u-s-government-efforts-to-stabilize-conflict-affected-areas-2018>.

Actions

- **Pilot countries:** The FY 2017 appropriations bill that directed the USIP Task Force On Extremism in Fragile States also appropriated funds for a country pilot. The initial candidate for the pilot, Burkina Faso, was subsequently deemed inappropriate. In addition, section 504(c) of the GFA required the administration to issue a strategy, including selection of five pilot countries and 10-year stabilization plans for each. An interim strategy was submitted in September 2020 that did not identify the pilot countries. The new administration should make a priority of fulfilling these requirements to designate the countries and design implementation plans according to the recommendations of the USIP report, the GFA, and the SAR, as outlined in the following guidelines.
- **Guidelines:** These three strategic documents contain commonalities which provide the basic approach to fragility, including:
 - *All-of-government:* Establish a cross-agency strategy and operational framework with clear division of roles and responsibility for each agency.
 - *Adaptability:* Place funding for fragile countries in a flexible account with no programmatic earmarks and/or notwithstanding authority (or USAID OTI/OFDA-like authorities), as provided for the Complex Crisis Fund in GFA section 509(b); further, develop trust with the Congress that this authority for adaptability will be use responsibly through maintaining a close, consultative relationship with the Hill, including through full access to data, consultations on planning and policy/program deliberations, and embedding a member of the USAID implementation team with congressional committee staff.
 - *On-the-ground decisionmaking:* Empower the field with the flexibility to make decisions and adjust programing.
 - *Local ownership:* Engage local stakeholders in setting priorities and designing and implementing programs.

- *Collective effort*: Engage as partners other donors, local government, and other stakeholders in a collective effort with all parties operating within a common framework.
- *Political*: Technical solutions must account for and incorporate local political dynamics.
- **Training**: With a majority of U.S. assistance flowing to fragile environments, the modus operandi of program design and staff training needs to be “how to function in fragile environments”.

9. Data & transparency

Good data and data analytics are fundamental building blocks of good policy and decision-making. Transparency of assistance data and policymaking allows for better-informed stakeholders and citizens in donor and recipient countries, better-informed and accountable decisionmaking, and more effective collaboration and coordination.

While advancement has been made over the past decade in publishing U.S. assistance data, further progress is in order. The MCC has been the model agency in using and publishing data, USAID has made good strides, as has State more recently, and other agencies are further behind. The USAID foreign assistance dashboard³³ has created an innovative tool (*Beyond USG*) that allows users to access donor data reported to IATI. Designed for the benefit of USAID country missions to facilitate donor collaboration and engage local stakeholders to enhance localization and development outcomes, it is available to all users. The State Department and USAID maintain similar public assistance data dashboards but with inconsistent numbers that results in confusion as to which data is accurate and should be used.

For USAID to operate effectively and efficiently, and to reach the goal of being a learning organization, it needs the ability to tap into and organize a vast array of data and information—headquarters needs to know what is happening in its country missions and by other donors; its missions need to know what other donors and other USAID missions are doing; and both headquarters and missions need access to the vast array of data from public and private sources that is relevant to development.

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³³ <https://explorer.usaid.gov/>

Actions

- **Data:** Agencies, particularly USAID and the Department of State, should ramp up investments in systems for collecting, analyzing, and publishing data to make available comprehensive and accurate data and information to meet internal management and external reporting needs, in the context of the U.S. commitment to IATI.
- **Dashboards:** Per the directives in the FATAA of 2016 and the FY 2020 Appropriations Act, the administration should rationalize the State and USAID Dashboards based on careful analysis of which dashboard has the most accurate methodology for collecting and publishing the data.

End Note

The United States and the world are facing a confluence of transnational challenges most of which have development at their core, from the more traditional development task of poverty alleviation and economic growth, both now suffering severe setback from COVID-19; to gender and racial equality and equity, insufficient progress on which the pandemic has laid bare; to the existential threat to the earth of climate change. The U.S. is addressing these 21st century challenges with weak and poorly designed developmental and diplomatic structures. This paper identifies both short-term, incremental fixes and more ambitious, longer-term ways in which the development function can be strengthened and enhanced. Its companion diplomacy calls out for a parallel redesign.

The new administration and congress should recognized that the challenges the U.S. and the world confront, the central role the development function plays in addressing them, and the future of our children and their children, the very nature of their lives, requires overcoming our intense partisan divide and the incoherent/dissonance in development/foreign policy making and management to forge a path forward for effective U.S. leadership in addressing global development challenges.

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