GLOBAL ECONOMY & DEVELOPMENT
WORKING PAPER 75 | JULY 2014

Global Economy and Development at BROOKINGS

ADJUSTING ASSISTANCE TO THE 21ST CENTURY

A REVISED AGENDA FOR FOREIGN ASSISTANCE REFORM

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Global Economy
and Development
at BROOKINGS

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Acknowledgements:

While I alone am responsible for the assessment and views presented in this paper, I am grateful to the many friends and colleagues who reviewed and commented on drafts of the paper. It is important to recognize that the work on aid reform over the past decade has been a collective effort, for which I thank and acknowledge colleagues at Brookings, other Washington policy institutions, the Modernizing Foreign Assistance Network, the U.S. Global Leadership Coalition, the executive branch, and Congress. I think I can speak for this community in saying that we are grateful to the dedicated developmentalists—in the U.S. government, civil society, and private sector—for their dedication to reducing poverty and advancing economic and political development.

CONTENTS

Introduction 1

Overview of Administration Aid Initiatives 2
- Assistance Initiatives of George W. Bush 2
- Assistance Initiatives of Barack Obama 3

The Reform Agenda 8
- Historic and Current American Interests in Aid 8
- The Rationale for Aid Reform 8
- Eight Elements of Reform 13

The State of Aid Reform: Significant Progress and Notable Gaps 16
- Development Voice at the Table – Progress 16
- Coherence – Progress 16
- Strategy – Progress at the Sector and Policy Level, but a Comprehensive Strategy Still Missing 17
- Accountability – Notable Progress 18
- Rebuilding USAID – Commendable Progress 20
- Local Solutions – Mixed Progress 21
- Collaboration/Partnership – Serious Implementation 22
- Congress – Not Recently 23

A Focused Agenda to Institutionize Reforms 25
- Coherence – Rebuilding USAID – Development Voice at the Table 25
- Strategy 25
- Evaluation 25
- Transparency 26
- Local Solutions 27
- Collaboration/Partnership 28
- Congress 28
- Development Finance 29
- Post-2015 Agenda 30

References 31

Endnotes 35

LIST OF FIGURES

Figure 1: U.S. Foreign Assistance Objectives and Organizations 10

Figure 2: Main Resource Flows to Developing Countries, 1990 to 2011 12

Figure 3: Total Foreign Aid, 2000 to 2015. 13

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INTRODUCTION

A decade of reform of U.S. development assistance programs has brought significant and important improvement in the nature and delivery of U.S. assistance. But the 21st century world is witnessing constant change in development. More developing countries are ascending to middle income status and gaining the capability, resources, and desire to finance and direct their own development. The rapid expansion of private capital flows, remittances, and domestic resources has significantly reduced the relative role of donor assistance in financing development. Donors are becoming more numerous and varied. There is growing recognition that the private sector, both nationally and internationally, is an indispensable component of sustainable development.

With donor assistance serving as an ever smaller share of the development equation but remaining important for some countries and sectors and an important tool of U.S. international engagement, the U.S. government must fully implement suggested and already begun reforms. This paper catalogues the principal aid initiatives of the administrations of George W. Bush and Barack Obama (anyone well versed in Bush and Obama initiatives might bypass or skim this section), presents the rationale for aid reform, identifies eight key elements of aid reform, assesses the Bush and Obama initiatives according to those eight elements, and proposes a focused reform agenda for the next several years.

This paper reports on and evaluates Bush and Obama administration aid initiatives only as to their impact on the aid reform agenda, not as to their broader impact. This paper deals only with development assistance as that has been the principal target of aid reform efforts. It does not cover humanitarian assistance, military assistance, or development-type assistance that is provided by the Department of Defense. It also does not address the large assistance programs to front-line states like Afghanistan and Iraq, where aid has been driven principally by political and security objectives rather than development objectives.

OVERVIEW OF ADMINISTRATION AID INITIATIVES

Both the Bush and Obama administrations advanced aid reform. Bush's initiatives occurred while the agenda was still being formulated. They were fewer, not as broad reaching, and restricted to a single issue or agency, but they were important in laying down a strong marker and piloting key reforms. The Obama reforms have been more holistic and encompass multiple programs. Both administrations have made notable contributions to modernizing U.S. assistance programs and policies.

Assistance Initiatives of George W. Bush

In some ways several of the aid initiatives of George W. Bush, embedded with best practices developed over several decades of experience and learning, jump-started the aid reform process. Bush's administration undertook five initiatives that are relevant to this analysis—the Millennium Challenge Corporation (MCC), President's Emergency Plan for AIDS Relief (PEPFAR), President's Malaria Initiative (PMI), the Office of U.S. Foreign Assistance Resources (F Bureau) in the Department of State, and USAID's (US Agency for International Development) Development Leadership Initiative (DLI).

The **MCC** was the Bush administration's response to the global movement to increase funding for development. It was the principal US announcement at the 2002 Monterrey Conference on Financing for Development and established by legislation in 2004. It was created as an independent agency in order to circumvent what was viewed by the administration as an ineffectual USAID and the constraints of the Foreign Assistance Act. It was an innovative endeavor to start afresh with robust funding for supporting poor countries with a record of good performance. The funding level, never reaching the original aspirational target of $5 billion a year, has ranged between $1.77 billion and $898.2 million annually. The MCC has signed compacts with 24 countries, four of which have received second compacts.[1] Built into the MCC structure are the aid reform elements of ownership, transparency, and rigorous use of data, analysis, and evaluation.

PEPFAR, announced in the 2003 State of the Union address, was an unprecedented commitment by the United States to tackle the HIV/AIDS pandemic that was at the time viewed as not just stymieing but setting back development, particularly in the poor countries of Africa, with no relief in sight. It was designed to focus on results and be driven by data. PEPFAR is led by the U.S. Global AIDS Coordinator at the Department of State and is carried out through seven U.S. government agencies, but principally three: the Department of State, USAID, and the Centers for Disease Control and Prevention (CDC). A decade later, the U.S. contribution of money, technology, and methodology is leading the world in the global effort that has finally stopped the growth of the disease, saved millions of lives, and given hope to many more. From 2003-2012 the U.S. directed $46 billion to PEPFAR programs. The outcomes, as of September 2013, include antiretroviral treatment for more than 6.7 million people and in 2013, through drugs to prevent mother-to-child transmission, an estimated 240,000 infants born HIV-free who otherwise would have been infected.[2]

The **President's Malaria Initiative** (PMI), launched in 2005, similarly targets a single disease with specific interventions (insecticide-treated bed-nets, insecticidal sprays, and diagnostic tests), but in a single

region: Africa. USAID is the lead agency and works closely with the CDC and other U.S. government agencies. While not solely the result of PMI, it is estimated that deaths from malaria fell from 985,000 in 2000 to about 660,000 in 2010.[3]

The creation in 2006 of the position of director of foreign assistance to head the new **F Bureau** in the Department of State was an effort to bring coherence to the multi-tentacled foreign assistance program. The catalyst reportedly was Secretary of State Condoleezza Rice's frustration at the inability of the bureaucracy to inform her how much assistance was being spent on democracy programs. The intent was to consolidate foreign assistance planning and resource management throughout the U.S. government and was implemented largely by moving those staff competencies from USAID to the new office in the Department of State.

The fifth initiative stemmed from the appointment in 2007 of Henrietta Fore to the dual positions of administrator of USAID and director of foreign assistance.[4] Fore brought to the job an understanding of development, strong managerial skills, and a commitment to USAID as an institution, the combination of which led her to institute a rebuilding of the human capacity of USAID through the **Development Leadership Initiative** (DLI), designed to double the number of USAID foreign service employees.

Assistance Initiatives of Barack Obama

Barack Obama's election created great expectations among the development community. Early in his campaign candidate Obama issued an eight-page brief on development, the only presidential candidate ever known to delve so broadly and deeply into development issues, and his administration brought several leading proponents of aid reform into key positions.

The Obama administration undertook a series of significant foreign assistance initiatives. Three involved broad policy and operational reviews. The White House commenced a National Security Council (NSC)-led eight-month review of U.S. development policies and programs that produced a **Presidential Policy Directive** (PPD) on Development, signed by the president on September 22, 2010. The White House standard practice is to not make public presidential determinations, but in this case a detailed summary was released.[5] In December 2013 a court ruling[6] required the release of the full PPD.[7] The PPD is designed to elevate development in U.S. policy and serve as guidance to all U.S. government agencies on the administration's development priorities. The PPD centers U.S. development efforts on promoting broad-based economic growth, democratic governance, innovation, and public sector sustainable capacity. It emphasizes accountability (results, monitoring, and evaluation), country ownership, focusing resources, and collaboration with other donors and the private sector.

The State Department launched an 18-month State/USAID **Quadrennial Diplomacy and Development Review** (QDDR), modeled on the Defense Department's Quadrennial Defense Review (QDR), which was completed in August 2010. The report focuses on, among other things, organizational and management changes in the Department of State, building USAID into a premier development institution, and revising how the State Department and USAID respond to crisis and conflict.[8]

Although USAID was part of the QDDR, it undertook its own separate internal review and issued in November 2010 a package of reforms entitled **USAID Forward**, designed to strengthen USAID and modernize its operations. The areas of reform include revision of the procurement process to streamline procedures and allow for more contracting and granting to local organizations and restoration of lost USAID functions of planning, budgeting, and evaluation.[9]

Over a period of years, the administration launched a series of specific development initiatives. The **Global Health Initiative** (GHI),[10] established in 2009, was designed to provide a more comprehensive approach to global health. U.S. assistance in health is comprised principally of discrete programs operated by several U.S. government agencies and focused on specific diseases and health issues. Missing has been a framework that pulls the pieces together into a comprehensive whole, provides for coordination among the various programs, and focuses on the overall health system and capacity of recipient countries. GHI is intended to overcome these gaps and function through a GHI principals committee comprised of the leaders of the three main implementing agencies—USAID, OGAC[11] in the Department of State, and CDC in the Department of Health and Human Services—and through their deputies.

Feed the Future[12] was launched by the U.S. Government in 2009 in parallel with G-8 and G-20 countries to bring additional resources and better alignment and coordination of bilateral and multilateral assistance to address global hunger and food security. The U.S. pledged $3.5 billion and other countries $18.5 billion over a three-year period. Three middle income countries—"strategic partnership countries" Brazil, India, and South Africa—participate to provide south-south technical assistance. Based on specific criteria, 20 countries in Asia, Latin American, and Africa were selected as "focus" countries. Feed the Future is particularly unique in addressing both agriculture and nutrition, two closely interrelated development objectives that seldom are joined in a common effort.

A companion to Feed the Future, the **New Alliance for Food Security and Nutrition**,[13] was announced at the 2012 G-8 Summit at Camp David. The New Alliance joins G-8 members, African countries, and the private sector in the goal of lifting 50 million people in Africa out of poverty by 2022 through progress in agriculture and nutrition. It is centered on participating African countries undertaking policy reforms (as set forth by each county in a Cooperation Framework, consistent with the African Union's Comprehensive Africa Agriculture Development Program (CAADP)), specific private sector investments (80 companies committed investments totaling $3.7 billion), and support from G-8 countries.

Climate Change[14] was highlighted as one of three programmatic initiatives in the 2010 PPD. The **Global Climate Change Initiative** (GCCI) seeks to integrate climate change considerations into U.S. bilateral and multilateral assistance, principally through USAID activities, but also those of the Departments of State and Treasury. The three main areas of program activities are adaptation (preparing for climate change through building climate resilience), clean energy, and sustainable landscapes (sustainable land use and forest management). The 2012 USAID Climate Change and Development Strategy[15] aims "to help countries accelerate their transition to climate-resistant, low emission development."

The **Partnership for Growth**,[16] announced in November 2011, is unique in U.S. development programs in being

focused more on policy than on aid dollars, involving a number of U.S. government agencies, and crossing into non-traditional development areas such as customs, trade, government regulatory policy, and other areas that serve to constrain economic development. It is designed to address in a comprehensive manner constraints to growth in select developing countries. It involves experts from multiple U.S. government agencies engaging jointly with host country counterparts to analyze the barriers to economic growth in a country. It seeks to engage government, the private sector, and civil society in a range of actions and tools, beyond just foreign assistance. The analysis is to lead to a joint action plan to address some of the constraints. The four country partners are El Salvador, Ghana, the Philippines, and Tanzania. Actions on the constraints are well under way in the Philippines, but further behind with progress mixed in the other three.

Transparency is a hallmark of the Obama administration. Among President Obama's first pronouncements (January 21, 2009) was "My administration is committed to creating an unprecedented level of openness in government."[17] The White House issued several bulletins committing all agencies to open, machine-readable, accessible data.[18] In December 2010 the Department of State and USAID launched the Foreign Assistance Dashboard,[19] designed to make available on a single public website all U.S. government data on foreign assistance. The U.S. is a founding member of the Open Government Partnership (OGP)[20] and hosted the first annual summit in September 2011, for which it issued a U.S. OGP National Action Plan.[21]

At the Fourth High Level Forum on Aid Effectiveness in Busan, South Korea, Secretary Clinton announced the U.S. commitment to join the International Aid Transparency Initiative (IATI). IATI is a global data registry designed to allow all donors (public and private) and development implementers to publish all assistance data in a common XML format so that all stakeholders and development players can know what each and every donor and implementer is doing, in what sector, and in which geographic area of a country. The Busan outcome document calls on all donors to fully implement the standard by the end of 2015.[22]

The MCC has made transparency of data, methodologies, documents, and policy a trademark. USAID, through the open processes it employed in drafting in 2012/13 an urban services policy and subsequent policies,[23] has moved in the direction of more transparent policyaking.

The U.S. government, specifically USAID, has long been the global leader in providing humanitarian and disaster assistance. Formally, with the release in December 2012 of the policy and program guidance *Building Resilience to Recurrent Crisis*,[24] USAID is seeking to link together its humanitarian assistance and development assistance to provide communities with greater resilience to repeated cycles of crises. Over the past decade international donors spent $90 billion—50 percent of all humanitarian assistance—in just nine countries. Under the **resilience policy** USAID joins together analysis, planning, and programming by its separate humanitarian and development units to help communities create the ability to better withstand recurrent crises. Plans are to be country-led and based on local context and need. USAID is participating in an international effort to build resilience in countries in Africa fraught by chronic poverty and periodic shocks.

A particularly notable and controversial administration proposal came in the fiscal year 2014 budget proposal to revise **U.S. food aid programs**. These programs have their origins in the early 1950s when

the U.S. had a surfeit of unsold agricultural food products, agricultural commodity prices were low, the U.S. was seeking to develop overseas markets for its farm products, and costs for shipping on U.S. vessels were modest. In recent years, U.S. food aid has been the subject of numerous reports and studies that highlight the programs' costly and inefficient nature and that their impact would be enhanced with more flexible rules on procurement and transportation and ending monetization (selling products in local markets to fund development activities). The Bush administration acted on the analysis by proposing modest reform of U.S. food aid programs, but the Congress only went along with a small pilot program. The Obama administration picked up the baton in its FY 2014 budget proposal to allow up to 45 percent of food aid to be procured locally or regionally, provide cash grants to development NGOs in place of giving them food commodities they then had to monetize, and substitute a direct subsidy to U.S. shippers in exchange for eliminating the requirement that 50 percent of food aid be shipped on American ships. The result would have been more timely delivery, reaching an additional 4 million recipients, and less disruption to local markets.

In fact, what came out of the legislative process was a modest version of the original proposal, allowing local purchase of food commodities up to 20 percent of total purchases and reducing the reliance on monetization through increasing cash grants to NGOs, for a net effect of benefiting an estimated 800,000 people. The administration's FY 2015 budget request would increase that 20 percent level to 25 percent.[25]

In June 2012 President Obama announced **Power Africa**[26] to double access to power in sub-Saharan Africa. The initiative involves six U.S. government agencies,[27] some 35 private companies, and 12 African countries.[28] The U.S. government has committed $7 billion and private companies $14 billion in financing. The U.S. government will work to identify and help remove restrictive host country policies and regulations, specifically in support of private sector investments that have not moved beyond the planning phase due to inhospitable host government regulations and policies, or inaction.

Under Administrator Rajiv Shah, USAID has emphasized the importance of **innovation and science and technology**. This focus involves a number of initiatives, including increasing the number of American Association for the Advancement of Science (AAAS) fellows from 2 to 65 a year, creating a GeoCenter (a resource office to provide the agency with geospatial tools and analysis), appointing the first USAID geographer, leveraging investments by the principal U.S. government science agencies (the National Science Foundation and National Institutes of Health), and creating an Office of Science and Technology. A new university collaboration, the Higher Education Solutions Network, seeks to tap into the expertise of colleges and universities.[29] The Grand Challenges for Development initiative periodically issues an invitation for proposals to address a specific development problem.[30] The Development Innovation Ventures (DIV) crowdsources solutions through quarterly competitions for innovative ideas to address a development hurdle; funding is available on a staged basis, with funding at the subsequent stage dependent on the success of the prior stage.[31] USAID has been integrating mobile technology into its programs and has specific initiatives targeting mobile data, mobile money, and mobile access.[32] The Global Development Alliance builds on the Bush administration initiative to expand and deepen the engagement of business and civic organizations in public-private partnerships (PPPs).[33]

In April 2014 many of these programs, and others, were joined into a new entity in USAID called the Global Development Lab,[34] designed to better integrate and create synergies among multiple programs built around innovation and science and technology. The lab starts with 32 cornerstone partners (universities, NGOs, corporations, and the Swedish International Development Cooperation Agency) and a staff of 150.[35] The programmatic funding[36] for the various programs and initiatives that were brought together in the lab totaled $112 million in FY 2014 and is proposed at $151 million for FY 2015.[37]

THE REFORM AGENDA

Historic and Current American Interests in Aid

The origin of U.S. assistance programs is typically associated with either the launch of the Marshall Plan in 1948, or the passage of the Foreign Assistance Act and creation of the Agency for International Development in 1961. But the act of extending a helping hand outside U.S. borders dates to the country's earliest days as a nation. The first documented case of U.S. foreign assistance was a 1794 appropriation of $304,000 to aid refugees fleeing Haiti. There has been some form of U.S. foreign assistance, not just for relief, but also for state building and to open markets, in almost every subsequent decade.[38] Noteworthy in the 20th century: in 1914 President Herbert Hoover created the Commission for the Relief of Belgium to combat food shortages; in 1917 Woodrow Wilson appointed Hoover to head the U.S. Food Administration to organize food shipments to Europe; the 1921-1923 American Relief administration provided food relief from civil war and famine in Russia. Lend-lease during World War II was technically a loan program, but only partial payment was received. The U.S. contributed to the U.N. Relief and Rehabilitation Administration (UNRRA), established in 1943, to provide relief to war-torn countries. In 1947 the U.S. provided assistance to Turkey and Greece to fend off communism. From 1948-53 the Marshall Plan provided $12.7 billion ($120 billion in 2008 dollars) to underwrite the rehabilitation of war-devastated Europe.[39]

Today foreign assistance is recognized as being an indispensable tool in advancing U.S. national interests—security, economic, and humanitarian. While official development assistance may be playing a declining role in advancing development, it does play an important role for some recipient countries, in tackling global challenges, and in certain sectors and circumstances. To put numbers on that: while there are 29 countries that receive the equivalent of less than 1 percent of their budget resources from foreign assistance, and 66 that receive less than 10 percent, there are 26 countries for which foreign assistance is equal to more than half the level of their budget resources.[40] Assistance provided to alleviate humanitarian crises—for the survivors of the 2010 earthquake in Haiti and for today's 50 million refugees and displaced persons—can make the difference between life and death. Assistance has saved millions of children from lifetime afflictions, from early childhood malnutrition and stunting and millions of adults from HIV/AIDS, malaria, and other diseases. Foreign aid helped to defeat smallpox and to rid the world of 99 percent of the cases of polio. It contributes to stability and restoration in countries with ongoing and recent civil strife. It advances U.S. and global prosperity and economic opportunities through market opening and economic reform programs. The list goes on. The point is the United States has a national interest in all of these outcomes. While there are always challenges and failed objectives with foreign assistance, on balance there are notable successes and advances. The U.S. interest was recognized in the national security strategies adopted by the Bush and Obama administrations, which place development alongside defense and diplomacy as one of the three prongs of U.S. global security.

The Rationale for Aid Reform

This overriding U.S. national interest in advancing world peace and progress, combined with the concern of the American people over their tax dollars being well spent, gives the U.S. a strong interest in its foreign assistance accomplishing the intended out-

comes. These interests underlie the efforts over the past decade to modernize U.S. assistance policies and programs with the common objective of enhancing the effectiveness of U.S. assistance. The reform effort that coalesced in 2006/2007 was built on three basic premises.

One was the growing awareness that foreign assistance all too often fails to respond well to real needs in developing countries. Recognition of this fundamental shortcoming grew and deepened in the 1990s and culminated in 2005 with the Paris Declaration on Aid Effectiveness,[41] a seminal statement of how donors could better structure their assistance programs. The declaration sets forth the five principles of ownership, alignment, harmonization, results, and mutual accountability. The framework of aid effectiveness was further refined in the 2008 Accra Agenda for Action[42] and the 2011 Busan Partnership for Effective Development Cooperation.[43] The aid effectiveness principles focus on improving donor delivery to make assistance more responsive to and integrated with local needs and priorities, and the focus has evolved from just assistance to broader development cooperation. The "Washington-centric" nature of U.S. assistance, with priorities and programs set through congressional earmarks and presidential initiatives, too frequently is disconnected from priorities and needs in developing countries.

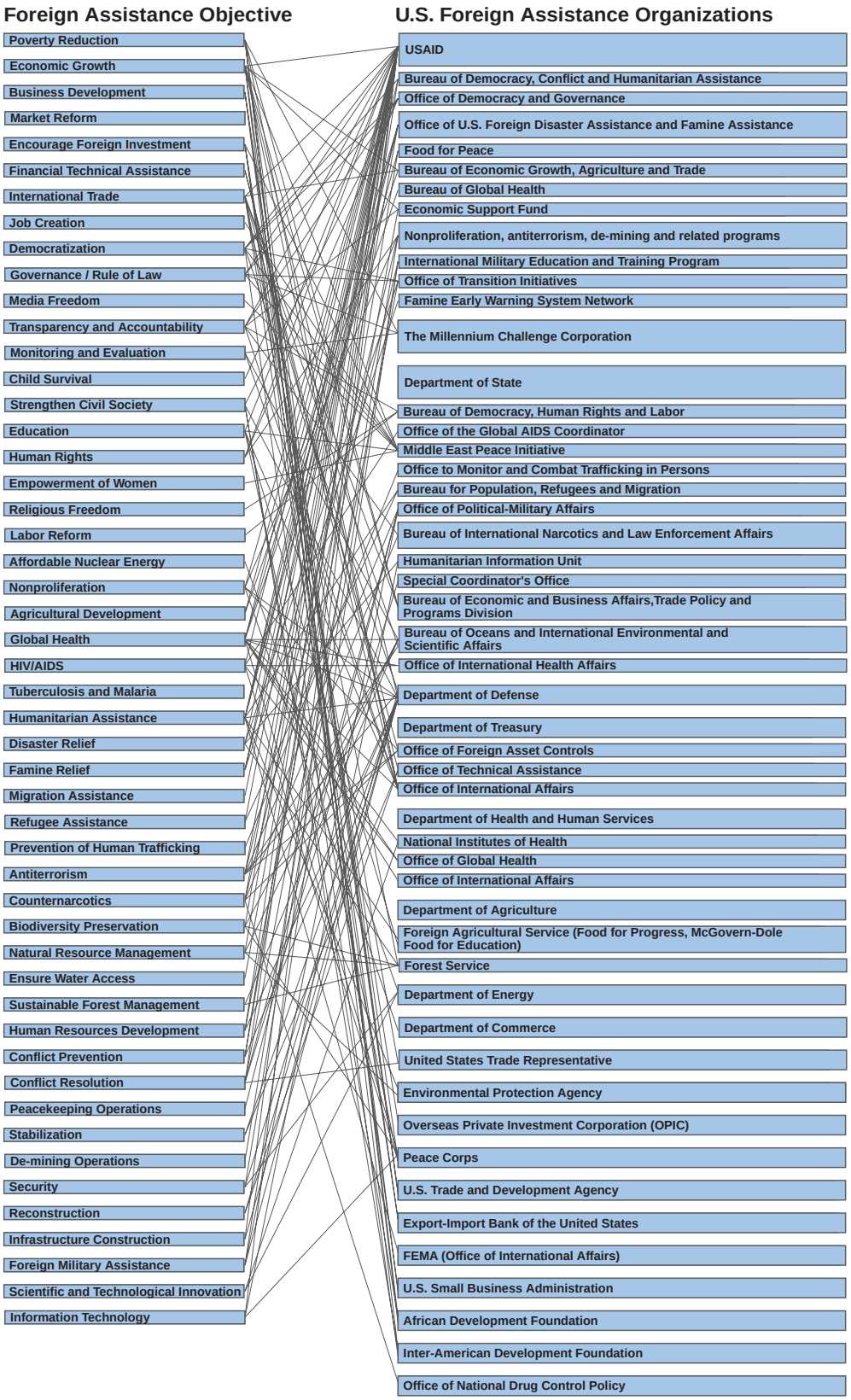
The second premise relates specifically to a principal critique of U.S. assistance. The issue is not that specific programs and projects are not well intended and well-functioning and produce useful outcomes. Rather, for a variety of reasons, the U.S. is not maximizing the full benefits and results from its development programs, and is not punching at its full weight.

The earlier assistance efforts referenced above reflect the nature of much of subsequent U.S. assistance—well-meaning and important endeavors responsive to specific events in individual countries or regions, but lacking any comprehensive, strategic approach to U.S. interests in the world. The Foreign Assistance Act of 1961 as originally enacted is the exception. It was designed to provide a comprehensive framework to address a range of challenges facing many different countries and to reflect the variety of U.S. interests and assistance efforts.

But decades of congressional amendments have ballooned the Foreign Assistance Act into an incomprehensible jumble of objectives, priorities, authorities, and restrictions. A 1989 report by the House Committee on Foreign Affairs, culminating a year-long review of U.S. foreign assistance, found 33 objectives and 75 priorities in the Foreign Assistance Act.[44] That was 25 years ago. The intervening years have brought additional complexity to the legislated authorities of foreign assistance.

Unfortunately, the "rats' nest" of legislative authorities and directives created by the Congress is reflected within the executive branch. Dozens of presidential initiatives and some 25 agencies involved in carrying out aspects of foreign assistance have resulted in an array of policies and programs that often lack coherence and clear purpose and objectives, sometimes produce inconsistent or even conflicting endeavors, are difficult to coordinate and function in unison, and fail to respond to the dynamics of 21st century development. The most graphic depiction of this maze was produce by Lail Brainard and is reproduced in Figure 1.[45]

Figure 1: U.S. Foreign Assistance Objectives and Organizations



Source: Brainard, Lael. "Security by Other Means: Foreign Assistance, Global Poverty, and American Leadership," pg. 34.

Not all U.S. government agencies involved in foreign assistance are major assistance players, but at least seven are—USAID, the MCC, the Overseas Private Investment Corporation (OPIC), CDC in the Department of Health and Human Services, and the Departments of State, Treasury, Agriculture (USDA). If you are the health minister of an aid partner country, how do you know whom to engage in Washington to discuss HIV/AIDS—PEPFAR at the State Department, the Global Health Bureau at USAID, or the CDC? If you want to discuss the range of U.S. programs in development finance, you have to visit separately USAID, State, OPIC, Export-Import Bank (EXIM), Trade and Development Agency (TDA), and then go to the Treasury Department to talk about the multilateral development banks and debt forgiveness. Who speaks for the U.S. internationally on development? It varies with the issue, the meeting, and the administration.

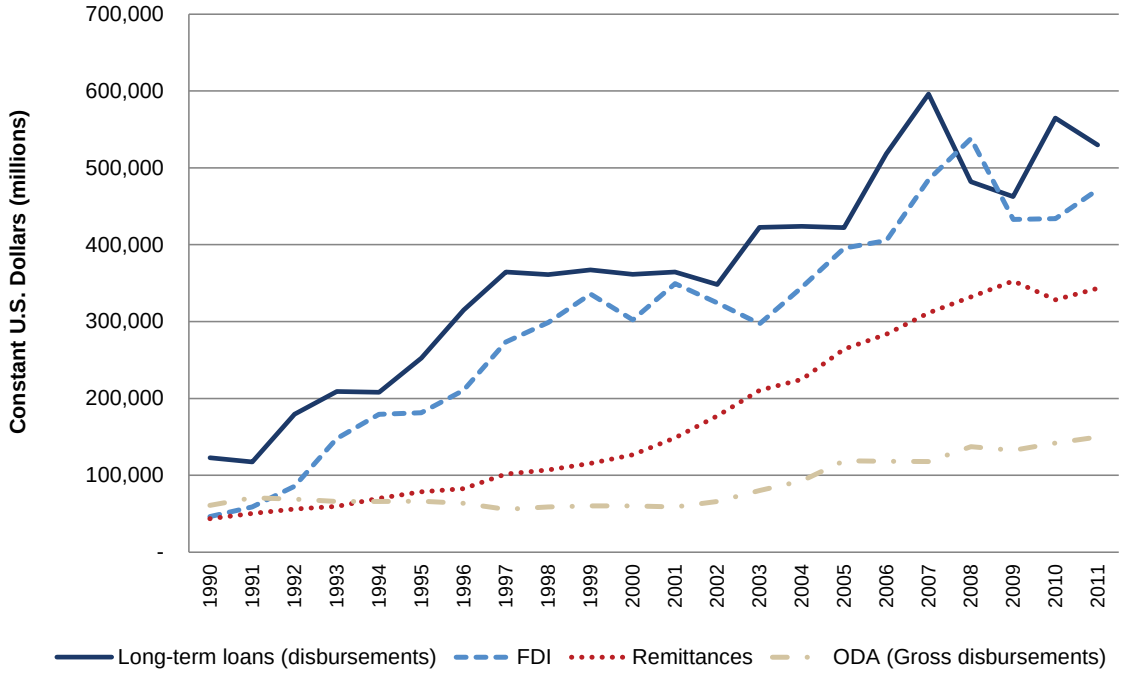
The disarray also stems from the lack of a development strategy and policy coherence among agencies. Furthermore, USAID, the principal U.S. development agency, underwent two decades of "decapitalization"—a reduction in personnel, authorities, and capabilities. This is part of the explanation as to why development experience and knowledge is seldom represented in high-level policy deliberations.

The impact of this shortcoming—dispersion of policies and programs with no overarching strategic coherence—results in the U.S., the world's largest bilateral donor, shackled, playing the game shorthanded, unable to marshal all its assets toward a common objective or able to speak with a coherent, strong, single voice.

The third premise is the growing recognition that the 21st century world is rapidly changing and vastly different than the world in which most assistance structures were created. Assistance resources remain important in certain circumstances and for particular sectors, countries, and communities—notably for the poorest countries, and for relieving humanitarian suffering and tackling global health issues like HIV/AIDS and polio. But assistance resources are playing a declining role in financing development, as evidenced by the reversal in magnitude of official assistance and private financial flows to developing countries. Global financial flows to developing countries grew from about $1 trillion in 2000 to $2 trillion in 2011.[46] Between 1990 and 2011 foreign direct investment in developing countries increased from approximately $46 billion to $471 billion,[47] disbursements of long-term loans grew from $122 billion to $530 billion and remittances from $43 billion to $343 billion, while gross disbursements of official development assistance (ODA) by DAC donors increased from $61 billion to $150 billion (see Figure 2).[48]

The donor landscape is changing. Sometimes the U.S. government, and particularly Congress, behaves as though it is still the 1950/60s, when the U.S. dominated or singularly led the donor community. Today the donor field has diversified. In addition to traditional bilateral and international donor agencies, the assistance arena is filled with an array of other actors—foundations, NGOs, corporations (initially corporate foundations but now some corporations are building social and environmental performance into their business operations), vertical multilateral funds, impact and sovereign investment funds, and emerging nations such as Korea, Brazil, Mexico, Russia, and China. According to a recent analysis,[49] China in 2013 provided $7 billion in assistance, moving it from the sixteenth largest donor in 2001 to sixth place and approaching France, and China does not subscribe to the OECD's Development Assistance Committee (DAC) code of donor good behavior.

Figure 2: Main Resource Flows to Developing Countries, 1990 to 2011



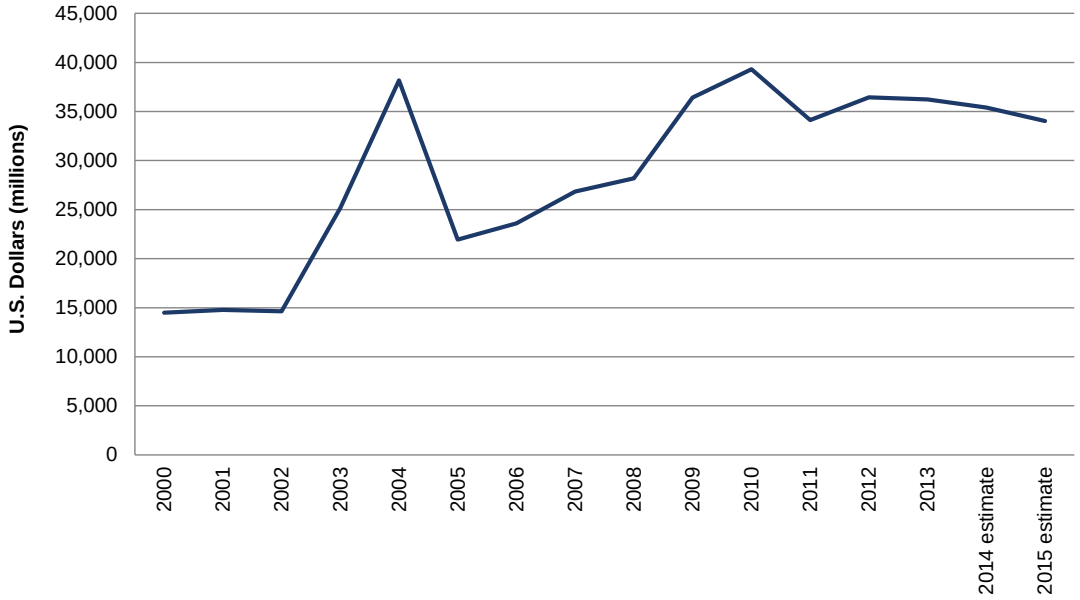
Source: Data from Development Initiatives report, "Investments to End Poverty: Real Money, Real Choices, Real Lives."

The fiscal constraints experienced by the United States (and most other donor countries) since 2009/2010 have only intensified the need to make our assistance as efficient and effective as possible, as each dollar in the declining aid budget must be stretched further (see Figure 3).

Accompanying the trend in U.S. development assistance and the explosion of private finance is the growing acknowledgement that the private sector is a principal development actor. In contrast to the 1960/70s stereotype of international corporations as resource extractors exporting resources and profits from Latin America and leaving behind detritus and poverty, the recent report of the High-Level Panel on the Post-2015 Development Agenda[50] highlights the key role that the private sector does and must play in sustainable development.

A dramatic change is the graduation of a growing number of developing countries from lower income to middle income status, and concomitant with that gaining the resources, ability, and desire to finance and lead their own development. The number of low-income countries fell from 63 in 2000 to 35 in 2012 and, depending on the calculation, will decline to only 21[51] or 18[52] by 2030. While the progress of economic growth and development in many developing countries and decline in absolute poverty is striking, the world continues to face an unacceptable level of poverty and global challenges.

Figure 3: Total Foreign Aid, 2000 to 2015



Source: Data compiled by Larry Nowels from various documents from the Office of Management and Budget, U.S. Congress Appropriation Committee reports, and Department of the Treasury; email April 10, 2014.

In fact, the term "developing country" has become a poor and inaccurate reference in what is a very diverse world. Development extends along a continuum from poor and fragile countries to economically successful middle income countries to wealthy countries.. A country's progress is not straight-lined and country positions along the continuum are constantly shifting. There are different nomenclatures inconsistently applied to identify developing countries. There is no consensus, and among different names are: extremely poor countries, weak and fragile countries, conflict-ridden countries, lower income countries, and middle income countries. While some developing countries are converging on more developed countries, a smaller group is diverging as their development is stalled or even regressing.

Eight Elements of Reform

From these premises, a U.S. assistance reform movement began to evolve just after the turn of the century, focused on how to make U.S. foreign assistance operations deliver more effective results. The reform agenda (as codified largely by the Modernizing Foreign Assistance Network (MFAN)[53] but also by others) blossomed in 2007/8. The reform agenda can be segmented into eight principal elements:

1. **Development Voice at the Table.** Too often when development issues are under consideration in key policy deliberations there has been no development expertise and experience in the room to inform decision-making. Development is not just a technical matter, but an inherently political one,

and foreign policy and security issues often contain development aspects and impact on development. This void has led to suggestions that USAID should be made a formal member of the National Security Council, 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 decision-making bodies and serve in a leadership role where development is the principal focus.

2. **Coherence.** One answer to the lack of coherence and proliferation of U.S. government agencies involved in assistance has been *consolidation*. At the most aspirational level, this would take form in a U.S. department of development; at a more modest level, consolidation of programs into the principal U.S. development agency, USAID. Interagency *coordination* is always a second-best solution if consolidation is not possible.

3. **Strategy.** Another approach to improve both 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 writing country and sector strategies.

4. **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 includes recommendations that our assistance efforts need to produce clear and specific *results*, improve the *monitoring and evaluation* of programs, be *transparent* on where and how assistance is deployed, and identify and share *lessons learned* from success and failure.

5. **Rebuilding USAID.** The goal of improving the effectiveness of U.S. assistance, and elevating the U.S. development voice in the domestic and international arenas, has only reaffirmed that the principal U.S. development agency (USAID) over several decades was weakened through both neglect and conscious action. Its staffing level fell from a total of 15,050[54] in 1970 (the height of the Vietnam War), to 10,640 in 1990, and 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.[55] With some 23 different hiring modes[56] and limited professional training, the USAID personnel system is archaic and needs strategic restructuring. USAID was shut out of key interagency decision-making forums, its budget autonomy and policy analysis capability were usurped, and its former strength in evaluation and learning was diminished. Restoring the number and competence (better training and professional development) of USAID staff and restoring key functions have become recommended means of making USAID a stronger and better-equipped development agency.

6. **Local Solutions.** 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. This principle has been adhered to by some development NGOs, and by some USAID missions, but largely honored 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/program cycle—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.

7. **Collaboration/Partnership.** With the crowding of the development field with a host of new development actors, it has become increasingly clear that to be effective and relevant, USAID and other U.S. government agencies can no longer act alone. They must engage in partnership and collaboration with other actors, both U.S. and international, government and non-government, private and nonprofit.

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

   The 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 individuals members of Congress. For understandable reasons 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, so often choose to act through executive fiat rather than slog through the uncertain morass of congressional action. But that is a short term and often misguided approach. 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, the Congress needs to enter the multipolar 21st century where the United States is less able to singly drive issues and needs to be a collaborative partner in global development efforts. It needs to understand that for most countries U.S. assistance is a minor source of development finance and technical assistance that brings little leverage. It can play a more constructive oversight role through focusing on results rather than just on pushing money out the door.

   Viewed in the short run, Congress can be seen as more of a problem than solution. Viewed in the long run, the U.S. Congress has to be engaged in order to bring broad consensus to U.S. policy. It is easy to forget that Congress actually has a noteworthy history in foreign assistance.[57]

   Again, back to the need for 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.

THE STATE OF AID REFORM: SIGNIFICANT PROGRESS AND NOTABLE GAPS

The Bush initiatives took place while the aid reform agenda was still forming but, through the way they were structured, several jump started the reform process; a few set it back. The multiple initiatives of the Obama administration comprise the most ambitious and comprehensive program of any administration to reform and modernize U.S. assistance policies and programs and to collectively advance some aspects but not all of the aid reform agenda; the impact of some reforms still await full implementation.

Development Voice at the Table – Progress

The Bush administration was known for not including the development voice at critical decision points. This was most notable in the near absence of any development (or, for that matter, diplomatic/foreign policy) knowledge or experience informing what the U.S. would do next in anticipation of, and then immediately following, the ouster of Saddam Hussein in Iraq. This stemmed from an administration that valued the security perspective over the development, but also from two decades of hollowing out USAID's capability. At the same time, it was the Bush administration that, at least at the most senior policy level, first elevated development to equal billing with defense and diplomacy—since known as the "three Ds"—in the 2002 National Security Strategy.[58]

While the Obama administration has not acted on the recommendation to make the administrator of USAID a permanent member of the NSC, it has moved to bring the development voice to the table when the agenda involves development or development-related issues. The PPD states that the administrator of USAID will attend meetings of the NSC "as appropriate." In practice, USAID is at the NSC table, at least at relevant meetings, and USAID is now at important decision-making meetings more often than in prior administrations. Recent examples are USAID having a voice in the deliberations on the new national security strategy that was formulated in 2013-14, and development playing a lead role in major events, such as President Obama's trip to Africa in 2013 and the planned August 2014 U.S.-Africa Leaders Summit.

Coherence – Progress

Neither administration embraced consolidation of foreign assistance programs under USAID. Under the Bush administration, the trend was just the opposite. The MCC, created as a new agency, and PEPFAR, operating through multiple agencies, further dispersed the management of foreign assistance. While the F Bureau was designed to bring order and coherence to U.S. foreign assistance across all agencies, its principal positive accomplishment has been to serve as a single source of data on all the U.S. does in the assistance arena. Its contribution to coherence appears more in concept than in practice, as it has little influence outside the Department of State and USAID and often functions more as an added bureaucratic layer over USAID.

The Obama administration created one of its first initiatives, Feed the Future, in a state of limbo, with two deputy heads, one from USAID and one from the Department of State, but no clear home or lead. The confusion was resolved with the QDDR placing the initiative inside USAID (score one for consolidation!). USAID has been given a lead role in other administration initiatives, such as Power Africa.

In contrast, while the QDDR indicated that the lead for the GHI would move from the Department of State to USAID, instead a year later, with GHI disappearing into the shadows, the administration stood up a new Office of Global Health Diplomacy in the State Department to lead, or more accurately, supersede, GHI. The one real consolidation effort was in the administration's ill-fated proposed FY 2014 reform of food assistance, which would have moved the funding and implementation of food assistance from the Department of Agriculture to USAID. The transfer was proposed, not with consolidation per se as the driving goal, but for purposes of efficiency and effectiveness.

Better coordination among government agencies has received considerable attention under Obama. Interagency coordination was attempted through the establishment of an Interagency Policy Committee on Global Development under NSC leadership, but its regular functioning appears to have lapsed. In place of consolidation, the administration has sought to achieve greater coherence and cooperation among agencies through bringing multiple agencies with relevant capabilities into its primary initiatives—GHI, Feed the Future, Climate Change, Partnership for Growth, Power Africa—under the rubric of "whole-of-government." The jury is still out. With strong leadership and good will, a whole-of-government approach can break down bureaucratic barriers and produce real cooperation; without that, it is an excuse to avoid consolidation or anointing a single point of accountability. While the GHI appeared to achieve a semblance of coherence at the headquarters level between USAID, PEPFAR, and the CDC, anecdotal reports from the country level suggest that too often the several agencies followed differing policies and procedures. In contrast, a September 2013 Government Accountability Office (GAO) report found that, unlike its 2006 and 2010 assessments that U.S. food security efforts were fragmented and uncoordinated, Feed the Future had produced progress in coordinating U.S. government agencies through the whole-of-government approach.

The lesson from the Obama administration, similar to past administrations, is that strong, interested White House leadership (from NSC staff) can produce effective interagency coordination, but that consistent engagement is seldom maintained due to ever-new crises and demands on White House staff. The answer may be that initial White House leadership needs to ensure that a single agency is assigned the lead once an initiative or policy is in place.

Overall, thanks mainly to the PPD, there has been improved coherence within development assistance, as the PPD sets forth key administration priorities that extend across programs and agencies. Where there has been no progress is in coherence at the broader policy level, between development priorities and other developmentally impactful policies such as trade, financial policies, immigration, taxation, climate change and intellectual property rights. The development voice is absent from these policy tables, where the impact on development is seldom given consideration.

Strategy – Progress at the Sector and Policy Level, but a Comprehensive Strategy Still Missing

While the Bush administration never articulated a broad or coherent development strategy, and ceased writing USAID country strategies, it did have clear strategies and goals for its two programmatic initiatives—HIV/AIDS and malaria—and the MCC was built around recent lessons and principles of good development.

Under Obama, strategy has been taken seriously. While not a full strategy, the PPD is the most coherent, comprehensive statement of development priorities by any administration. It provides high level guidance to agencies on the administration's approach to development, and elements of the PPD are found throughout administration and agency initiatives.

While the PPD is a broad statement of policy, the QDDR deals with a few discrete aspects of diplomacy and development and focuses more on how the Department of State, and USAID to a lesser extent, function; it is more operational than policy-focused. Unlike the Quadrennial Defense Review (QDR) on which it is modeled, the QDDR is not a strategic document.

At the level of sector or issue strategies, USAID has issued 10 policy and strategy statements that provide guidance in specific sectors and topics and has revived the practice of writing country development strategies.

However, the administration has not seized all opportunities to be strategic. The PPD calls for a comprehensive global development strategy but the administration has no plans to act on that charge. The Global Development Council, a commendable initiative to bring outside expertise and experience to the highest level of U.S. development policy making, appeared to be another lost opportunity, but has suddenly sprung forth. First proposed in the September 2010 PPD, the initial members were not appointed until December 2012. After much delay—three-and-a-half years after being first proposed—the council in April 2014 issued a series of very practical and achievable steps that would move forward several of the administration's initiatives.[59]

Accountability – Notable Progress

Accountability was a core principle and selling point of the Bush administration initiatives. The MCC was designed around data, results, monitoring, evaluation, analysis, and transparency, and has surpassed any other assistance agency or program in their rigorous application. Rather than conditioning assistance on promises of future behavior and outcomes, country eligibility is based on a country's achievements on a set of 20 economic, social, and governance criteria, with country ratings determined by independent, publicly available data. Compacts proposed by eligible countries are reviewed and analyzed through rigorous analysis of benefits and results. Independent evaluations are used to assess results and identify lessons. Transparency and accountability are ensured through online availability of compacts, data, analyses, and evaluations, through consultations with stakeholders on policies, and through four private individuals sitting on the board of directors. Transparency has kept the MCC focused on its mission and provided a degree of protection from political pressures.

Similarly, both PEPFAR and PMI score well on accountability, as they were designed and are driven by data and to produce very specific, targeted results.

The Obama administration has built on the accountability record of the Bush administration. The MCC has remained true to, and advanced, the original vision on accountability. In 2012 it issued its first independent impact evaluations of completed projects, and it has led all foreign affairs agencies in making information and data on its projects publically available and maintaining a dialogue with relevant stakeholders on its policies.

USAID has taken on the evaluation mandate. In January 2011 it issued a policy on evaluation[60] that was highly praised by the National Association of Evaluators as "a model for what other Federal agencies might do."[61] The number of evaluations rose from 89 in FY 2010 to 163 in FY 2012 and 188 in FY 2013.[62] In early 2014 USAID reported that 360 evaluations had been completed or were underway, that some 300 were planned for FY 2014, and that over 50 percent of completed evaluations had led to mid-course corrections.[63] An independent evaluation reported improvement in the quality of USAID evaluations.[64]

While the numbers are impressive, there remain questions as to the adequacy of the scopes of work, the rigor and objectivity of the evaluations, and whether they are appropriately being made publically available (67 percent in FY 2013, with targets of releasing 80 percent in FY 2014 and 90 percent by 2017).[65] USAID has yet to move its evaluation agenda into a learning agenda. It does not appear to have a process or guidance for identifying key findings and lessons from evaluations and turning that information into knowledge that is used to inform new USAID policies and programs and could be broadly shared and discussed to contribute to a better understanding of development and how best to implement assistance.

In early 2012 the Department of State appeared to join the move to evaluation in issuing its own evaluation policy.[66] Unfortunately, it has subsequently attempted to block or weaken provisions in the Foreign Transparency and Accountability Act[67] that would mandate evaluation of security assistance, despite the recommendation of its own Security Advisory Board that "the U.S. should implement a comprehensive monitoring and evaluation process for its security capacity building programs, measuring effectiveness against defined goals in terms of basic national objectives, not just value for money or inputs provided."[68]

The Obama administration has articulated a strong commitment to transparency. The President's stated public commitment to open government, government-wide guidance issued by the White House and the Office of Management and Budget, and various agency initiatives have made data transparency a high policy priority. But implementation of the Foreign Assistance Dashboard and the U.S. obligation to IATI has been mixed.

On the positive side, the MCC's delivery of high quality foreign assistance information has been strong from its early days, culminating in July 2013 with posting on its website of MCC project data in IATI XML format and related documentation. The data was comprehensive and of superior quality such that the MCC was ranked first, not just among U.S. agencies, but globally in the 2013 Aid Transparency Index (ATI).[69]

USAID and the Department of State account for three-quarters of U.S. assistance funds. While USAID in May 2013 published over 50,000 financial records to the dashboard and subsequently moved up on the ATI index, that financial data did not connect to specific projects and so is not particularly useful in identifying what USAID is doing where. It also lacks some of the information most useful to recipients of aid such as results, evaluations, and procurement information. These "added value" fields are at the very core of IATI's mission—to provide comprehensive information on aid for a wide range of stakeholders with different needs of information on aid spending. The State Department posted data in June 2014, but similarly of a nature not particularly useful in that much of it lacked names for projects and start and end dates.

As of July 2014, only nine of 25 U.S. agencies had published some information to the dashboard and the U.S. appeared not to be on a path to meet the 2015 deadline for full compliance with its IATI commitment. Furthermore, complete data published by Treasury's Office of Technical Assistance and the MCC to their respective websites in IATI format in July 2013 had, 11 months later, been only partially uploaded to the dashboard and subsequently to the IATI registry. Unfortunately, agency data that is transmitted to the IATI registry through the dashboard loses some of its granularity, specifically important project level data.

The dashboard has potential value, particularly for a U.S. audience, as a one-stop-site for data on the full range of U.S. government assistance. However, to date the dashboard has served more as a hindrance than an asset in the ability of the U.S. to provide quality data in a timely manner to IATI. In the first quarter of 2014, the State Department and USAID acknowledged the shortcomings in the data on the dashboard and posted to IATI and appeared to be readying steps to correct its insufficiency and inadequacy.

Transparent policymaking—developing policies in an open and consultative fashion—is not a typical government practice. The MCC has been more consultative than most government agencies. The first policies issued by USAID under the Obama administration, such as the education policy of 2010, were developed, true to type, without any serious external consultations. The reform program USAID Forward was developed without outside input and USAID suffered from an overly ambitious, somewhat naïve, simplistic and poorly articulated approach to local solutions, much of which might have been avoided through consultations with experienced implementers. Then in 2012/13 USAID developed a new policy on urban services that is a model of transparent policy making—consulting with interested and knowledgeable stakeholders before putting pen to paper (or finger to keyboard), further consulting during the drafting process, and opening the penultimate draft to public review.[70] It has followed that model with several subsequent policies and now asserts it is standard practice in developing new agency policies.

USAID also has taken steps to be transparent and accountable for its reform efforts by issuing a year-one (FY 2012) report[71] on USAID Forward, and eventually posting on the web the data that is behind the report. In April 2014 it published the comparable data on year two (FY 2013) progress on the reforms.[72]

Rebuilding USAID – Commendable Progress

The five Bush initiatives had a more negative than positive impact on the principal U.S. government development agency, USAID. The establishment of the MCC as an independent agency was viewed as a denigration of USAID, as the administration lacking confidence in its principal assistance agency. So too was the choice to center PEPFAR in the Department of State. The F Bureau, which was largely staffed by eliminating USAID's offices of policy and budget, substantially weakened USAID by depriving it of these two core capabilities.

In contrast, USAID was given the lead of PMI. A significant shift in the Bush administration's approach to USAID came in its final two years when Henrietta Fore was appointed USAID administrator and director of foreign assistance. She initiated important actions. Symbolically, unlike her similarly dual-hatted predecessor, she spent a majority of her time in her office at USAID rather than at the Department of State. On a very practical, strategic level, she launched the DLI to rebuild the human capacity of the Agency by doubling the number of USAID foreign service officers.

Progress rebuilding USAID accelerated under President Obama. USAID's capabilities in policy and budget were restored through the creation of the Bureau of Policy, Planning, and Learning (PPL) and the Office of Budget and Resource Management. USAID has returned to undertaking systematic evaluations of programs and projects. The Bush administration's DLI has been continued, with the number of foreign service officers rising from 1,098 in 2008 to 1,762 in 2013.[73] The administration, and the leadership of USAID specifically, has revitalized the role of the agency both within the U.S. government and internationally, through USAID initiating innovative programs and by being assigned the lead on key administration international initiatives. Still lacking is a comprehensive strategic overhaul of USAID's personnel system with a serious commitment to staff development, as would be achieved through a Department of Defense-style, career-long professional development program for each officer.

The administration's strong commitment to development was embodied by Secretary of State Hilary Clinton, who understood, cared, and spoke about development far more than any of her predecessors. The downside was that this further encouraged the normal State Department assertiveness on management and implementation of development matters, such as State rather than USAID exercising leadership of GHI and the Haiti relief program. Diplomacy is an important ally of development and, deployed properly, can help advance U.S. development objectives, as with an ambassador engaging a president or minister on a development issue of interest to the US and informing U.S. development policymaking on country-specific U.S. priorities and the relevant political dynamics. But too often the line between diplomatic and development expertise encroaches into the development space.

Local Solutions – Mixed Progress

The design of the MCC was a significant break from U.S. practice in its attempt to implement local ownership, now often referred to as local solutions. MCC programs are proposed by an eligible country government, after deliberate in-country consultations, rather than originating with a U.S. government agency. In fact, there remains considerable U.S. involvement and control as the MCC indicates what types of activities it will consider funding and negotiates the details of compacts, including whether internal country consultations are adequate. PEPFAR and PMI, despite their design and country priorities being set in Washington, encompass local priorities at the implementation level, but initially failed to include any serious focus on building local capacity.

The principle of local ownership is a hallmark of Obama's USAID. It is a key component of the PPD and USAID Forward and is embedded in various initiatives—Feed the Future, GHI, Partnership for Growth, Grand Challenges for Development, Development Innovations Venture, and Power Africa. The resilience and other policy statements have local ownership built in. The new USAID country strategies (Country Development Cooperation Strategy)[74] are to be developed by engaging local stakeholders, both within and outside of government. Through its health policies the Obama administration has taken PEPFAR well beyond its original role as an emergency program, to integrate it into a more comprehensive health framework that eventually transitions to greater country involvement, including sharing responsibility for funding.

The key statement on local ownership, found in USAID Forward, serves as an example of the critical role of transparency in policymaking, of engaging relevant stakeholders in the policy process. USAID Forward established a goal of moving aid funding through in-

country organizations (or systems) from a level of 9.7 percent in FY 2010 to 30 percent in 2015. USAID uses this percentage as its indicator of progress on local solutions. The first annual report on USAID Forward reported that 14.3 percent of funding was moved through local organizations.[75] Data for FY 2013 shows three different numbers: 17.9 percent of country mission program funding, 22.4 percent if Qualifying Trust Funds (there are two) are included, and 30.5 percent if cash transfers are also added.[76] But, Afghanistan and Pakistan—36.2 percent of whose funding went through local systems—account for the bulk of the 17.9 percent. So without those two countries, funding for which may well decline in the coming years, local solutions has not progressed much.

The reaction from the development community and other stakeholders to the USAID Forward commitment to local ownership spanned the spectrum, from cheers to squeals. Supporters state that local solutions is what assistance is, or should be, all about—listening to local needs and priorities and helping to build local capacity so donor assistance can fade away. Further, it is the single most important way to make assistance effective and sustainable. Opponents argue that, if we could just turn over our programs to local entities, then by definition they would have the necessary competencies and resources and not require our assistance. Opponents further note that U.S. implementers have been the source of most U.S. local capacity building for decades, yet are now to be sidelined; the goal is naïve as capacity building cannot be achieved in a few years but is a slow process that takes many years and intensive engagement; international practitioners bring proven solutions and advanced capabilities; and the risk of corruption and diversion of funds will increase.

USAID had to devote considerable time and effort to trying to explain the new policy, including clarifying that the 30 percent goal is only aspirational, but ill will and distrust remain. The unrealistic pace of achieving this goal, the misunderstanding, and the bad feelings might have been avoided or lessened if stakeholders had been invited to help inform the formulation of this policy. But there is a growing acceptance that local ownership is ultimately what assistance is about—listening to local priorities, empowering indigenous development, and acknowledging that the poor possess solutions to their problems but need help unlocking them.[77] The challenge now is whether implementation can live up to the commitment.

In fact, calculating the percentage of aid going through local systems is a very inadequate indicator for measuring progress toward local ownership. As seen above, there is no single method of calculating the percentage. Further, the measure of U.S. assistance is about procurement, and only about procurement from USAID—not a measurement of the capacity of a country to deliver its own development. This indicator tells us nothing about the quality or content of local ownership. It says nothing about progress in building local capacity, which is how U.S. assistance can play a role in advancing local ownership. Local ownership is not about U.S. dollars, it is about local capacity and leadership.

Collaboration/Partnership – Serious Implementation

The Bush administration was not known for collaboration or utilizing multilateral approaches. Funding for the multilateral development institutions declined from 7.7 percent of total U.S. assistance in 2000 to 4.5 percent in 2008 (with a low of 3.6 percent in 2004),

and then a range of 7.0 to 7.5 percent for 2012 to 2015.[78] The initial MCC leadership actually sought to distance itself from other U.S. government agencies. While PEPFAR and PMI were also unilateral U.S. initiatives, they were designed explicitly to include collaboration with other donors and multilateral funds, with PEPFAR created in conjunction with a major U.S. contribution (one-third) to the Global Fund to Fight AIDS, Tuberculosis and Malaria. The administration did embrace partnership with the private sector through the Global Development Alliance, a formal, extensive effort to establish partnerships with private companies; some 900 public-private partnerships were initiated during the Bush administration.

The Obama administration has had a more concerted approach involving collaboration and partnership. More than any recent administration, it has emphasized collaboration with other donors and partners. The administration has sought to engage other donors in advancing the development agenda, including launching Feed the Future and the New Alliance for Food Security in collaboration with the G-8, G-20 and other countries cooperating in the initiatives. The administration has strengthened U.S. engagement in international development deliberations, highlighted by Secretary of State Hillary Clinton attending the 2011 High-Level Forum on Aid Effectiveness in Busan. International considerations appear to be taken seriously in administration deliberations and policies.

Obama's USAID has built on the Bush administration's engagement with the private sector and expanded its importance in a range of aid activities. By 2014 USAID had engaged in some 1,500 public-private partnerships since 2000 and under Obama integrated them more deeply into mission programming. USAID Forward set a goal of moving the portion of mission funding going to public private partnership from 1.7 percent in FY 2012 to 10 percent by FY 2015.[79] USAID now presents the Global Development Alliance as engaging around its private sector partners' "business model and operational interests"[80] rather than USAID's. In 2012-13 USAID deployed to field missions the first cadre of seven "Field Investment Officers" to engage financing partners and created "Relationship Managers" to facilitate overall USAID relations with the 35 private companies USAID most frequently engages.[81] The Global Development Lab was launched with 32 corporate, NGO, and university partners and one bilateral partner.[82]

Congress – Not Recently

As for engaging the Congress, the Bush administration scores well. It sent to the Congress legislation authorizing its three programmatic initiatives, plus funding for the DLI program in the annual foreign assistance budget request. Although it failed to undertake any serious consultations with Congress during the process of designing the MCC, it did work effectively to secure Democratic and Republican support for four of the five initiatives (the exception being the new F Bureau), and bipartisan congressional support for all four has been sustained.

The Obama administration's disposition toward the Congress has been one of avoidance. Even in the first term, when democrats controlled both houses, the administration refused to engage with the strongest champion of foreign assistance and aid reform, Representative Howard Berman (Democrat, California), chairman (and subsequently ranking member) of the House Committee on Foreign Affairs, in his heroic effort to craft a replacement for the antiquated Foreign Assistance Act. The administration failed to work with Senators Lugar and Casey on their global food security bill, which offered the

opportunity to garner political backing for, and write into law, the administration's Feed the Future initiative. Representative Ted Poe (Republican, Texas) drafted the Foreign Assistance Transparency and Accountability Act,[83] based on the administration's own initiatives to strengthen evaluation and aid transparency, yet the administration refused to engage with him, and the Department of State even opposed aspects of the bill. The administration failed to take advantage of the incipient congressional interest in aid reform by not engaging with the newly-created Congressional Caucus for Effective Foreign Assistance. In its second term, the administration finally engaged more cooperatively with Representative Poe, but the State Department continued to oppose applying the requirement for evaluation to security assistance despite a clear administration policy commitment to do so. It is difficult to comprehend why one would not want to know whether and which of our security assistance programs are effective and learn how to improve them! In recent months the administration has demonstrated greater cooperation with Congressional interests in writing its Power Africa initiative into law.

A FOCUSED AGENDA TO INSTITUTIONIZE REFORMS

Those who have been active in the aid reform effort should be pleased that the glass is more than half full. Important changes have been instituted by the Bush and Obama administrations to make the U.S. assistance program more effective in producing results. One way to look at what the agenda should be for the next several years is to determine how current reforms can be institutionalized and further advanced and how the Obama administration can secure its legacy in modernizing the U.S. assistance program.

Coherence—Rebuilding USAID—Development Voice at the Table

Considering these closely related objectives together, the momentum toward dispersion has been stopped and there has been discernible progress on all three fronts. The main goal over the coming few years should be to institutionalize and further implement what has been put in place:

- Avoid any new dispersion of development and move the leadership and locus for health back to a strengthened and capacitated USAID where it has traditionally resided.
- Maintain and deepen interagency coordination, looking at whether the GAO-reported success in Feed the Future coordination can be translated into other areas, and at both positive and negative lessons to be learned from interagency engagement around PEPFAR, Partnership for Growth, and Power Africa.
- Protect USAID's rebuilt cadre of foreign service officers, institute a more coherent personnel system (including programs for career development), further strengthen USAID's policy and budget functions, and institutionalize the development voice in interagency decision-making (USAID, but also MCC and OPIC).

Strategy

Take up the charge of writing a U.S. global development strategy.

This needs to be done in consultation with congressional committees of jurisdiction, interested members of Congress, and civil society so that the end result is a broadly supported vision for how the U.S. approaches assistance and sets priorities that can reach across parties and administrations.

Evaluation

Maintain and advance the progress at USAID and the MCC on instituting objective evaluation.

Both agencies have adopted excellent evaluation policies. The MCC now has experience making public evaluations that reveal the good and the bad, and should have greater confidence that such honesty and transparency will be rewarded by being accepted as advancing best practices and learning, rather than garnering ill-placed criticism.

USAID is a much larger, more complex agency, with pressures that operate against complete objectivity in evaluation and sharing findings. So, even greater effort needs to be made to ensure that USAID's evaluation policy is executed with integrity—adequate training of staff, guidelines and processes to make sure the design and execution of evaluations are objective, presumption that all evaluations be publically available in a timely manner, impact evaluations employed where relevant to determine the development impact of projects and programs, evaluations and experience mined for knowledge, and that knowledge translated into learning that is broadly shared and

used to inform policy and programs. This last point needs to be emphasized—evaluation is about knowledge and learning, about finding ways to improve assistance efforts, and USAID has yet to articulate a strategy or process for harvesting knowledge into learning.

USAID and the MCC processes and experiences in evaluation need to be adopted by other agencies involved in foreign assistance.

Transparency

Move the strong commitment and policy directives on transparency into practice.

- Ensure all U.S. agencies publish comprehensive, timely, quality data to the dashboard by the end of 2015.
- Ensure all U.S. agencies publish comprehensive, timely, quality data to the IATI registry, either through the dashboard if it transforms to IATI XML format, or directly.
- Develop an implementation plan to meet these goals.
- Ensure the data and the visualization meet the needs of potential users.

Priority should be given to publishing all U.S. government foreign assistance data to both the Foreign Assistance Dashboard and to the IATI registry, in richness of detail and with related documents, so users in the U.S. and abroad can know what the U.S. is doing, and where, with its assistance dollars. For both the dashboard and IATI,[84] along with efforts to post all U.S. aid data, attention should be directed to the usability of the data—making sure the nature and detail of the data and its presentation meets the needs of data users and is readily accessible.

The dashboard, potentially valuable in bringing together all U.S. assistance data in one place, to date has proven to be a hindrance rather than an asset in fulfilling the U.S. commitment to IATI. It needs either to be restructured so as to be based on the IATI XML format or moved out of the way so agencies can post data directly to the IATI registry.

Furthermore, individual agencies should encourage the use of publicly available aid information within and outside the agency, at headquarters and at country missions. The U.S. will meet its commitment to the dashboard and IATI only when agency policymakers and career staff understand that it is in the U.S. interest to share data and related information on U.S. assistance and to have access to assistance data of other donors and agencies. There is no better example than Haiti to demonstrate that the only way to make sense of the aid scene is by making publically available assistance data from all sources. Since the 2010 earthquake, $9 billion in assistance has been disbursed to Haiti—approximately $3 billion each from the U.S. government, private sources, and other governments.[85] It is impossible to coordinate assistance from tens of government donors and hundreds of private agencies that are supporting thousands of assistance projects in a country. However, if every donor and implementer makes public what it is doing through IATI, so that everyone, especially the recipient government, knows what assistance is being provided, then each player is better able to make sure its assistance will be complementary, to fill any gaps, and to know with which other players it should be working.

The onus is not just on the U.S. government, but also on U.S. foundations and NGOs that are funding and implementing assistance to put their data on the IATI registry.

The U.S. government should convene and incentivize communities of interest in activities such as hackathons and crowdsourcing, where assistance data can be showcased, put to practical uses, and visualizations improved.

On policymaking, the recent transparent, consultative model of the USAID Bureau on Policy, Planning, and Learning should be institutionalized as the model for all agencies engaged in development cooperation.

Local Solutions

Share lessons and provide deeper and flexible guidance.

The administration has demonstrated a serious commitment to country ownership, or local solutions, which involves allowing local actors (government, business, and civil society) to identify priorities and own the development process. It is now necessary to collect the experiences of recent years—USAID and its implementers working together with the knowledge and experience of the MCC, CDC, PEPFAR, and other agencies—to translate that collective knowledge into how best to operationalize local solutions into realistic expectations and learning.

Local solutions is simple to talk about but complex to institute. It is easy to envision and implement in some circumstances, where there is good governance and competent institutions, but more of a conundrum in others. The relevant approach will vary with the particular circumstance, sector, country, and stakeholders. U.S. assistance programs should engage at both the governmental and nongovernmental level. Where government is not a good partner, civil society and the private sector can still be engaged. Local ownership lends itself more readily in some arenas, such as agriculture and the private sector, but with greater difficulty elsewhere, such as democracy, where there may be inadequate local support for reform. But even under difficult circumstances, local partners must be engaged so as to encompass local needs and priorities and lead to long-term sustainable development.

Local capacity building is key to the transition to use of local systems, and that capacity building should be focused on what is relevant to the local environment. It should not just create savvy USAID implementers.

Applying local solutions demands a nuanced approach that sometimes requires a judgment call and a willingness to take risks and the long view. When and where is it best to go in with international competence to achieve a short or medium-term goal? When is it better to depend more on local solutions even when the immediate outcomes may be weaker or delayed but in the process local competence and ownership is built that eventually will produce greater local capability and sustainable results? When and how can the two approaches be joined? Local solutions is not a singular structure but extends along a continuum that varies by the degree and nature of local circumstances. We have not had a full vetting of the risks—most of the discussion has been on fiduciary risks and has insufficiently focused on programmatic pitfalls and the risk of not engaging.

USAID is using as a measure of success of local solutions the percentage of USAID mission assistance moving through local systems. But this reveals nothing about progress in strengthening local capacity, which is how success should be determined. Instead, qualitative measures of progress are needed so we know when the nature and capacity of local systems are being improved, and whether the U.S. assistance is making a contribution, rather than just counting up U.S. assistance dollars.

The experience of donors and implementers needs to be joined together into better knowledge. There also needs to be a dialogue with members of Congress and their staff, too few of whom appear to understand or be ready to accept the sacrifice of concrete short-term outputs for long-term sustainable results.

The administration and implementers need to articulate "when, where, how, and to what degree" to engage local solutions. USAID needs to engage stakeholders in an exchange of views and experiences, as it has done subsequent to the release of USAID Forward, and provide nuanced and flexible guidance. Implementers need to share their knowledge and experience with policy makers about how local solutions are best implemented.

Collaboration/Partnership

Assess the role and value added of public-private partnerships.

As with local solutions, a careful assessment is in order of the experience from collaboration, especially partnerships with the private sector and NGOs, for lessons learned and guidelines on best practices.

An analysis is needed of the 1,500 public-private partnerships that USAID has fostered over the last decade to learn what, and under what circumstances, results have been achieved so there is a better understanding of how and when PPPs are appropriate and how they can be most productive. Do PPPs add value other than financial resources, such as expertise and business practices, and what is that value added? How do PPPs differ from normal USAID contracting and grant mechanisms? Are the outcomes sustainable and do they continue after USAID involvement ends?

A similar review and analysis is appropriate for engagement with bilateral and multilateral donors so the U.S. can determine priorities for funding and policies and can better link bilateral and multilateral aid policies and programs.

Congress

Engage the Congress.

The Congress is still there. It is easy to disparage given the degree of its dysfunction over the past decade, but it is not going away. One has to sympathize with the executive branch over its frustration with the partisanship and obstructionism of recent congresses. However, despite the inability of the Congress to legislate and move policy on fundamental issues facing the country, on what might be categorized as secondary or tertiary issues there has been some constructive legislation.

While Congress has become the favorite "whipping boy," mostly for good reason, it is part of our governing process and can do well if properly engaged. Businesses and NGOs have learned to work with the Congress through good and bad and understand that maintaining a meaningful, constructive relationship works best for the long-haul. The executive branch needs to learn the same, and that the Congress functions more responsibly when it has "skin in the game" and feels a sense of ownership, as has been demonstrated in recent years with key congressional actors being committed to the unexciting topic of rebuilding USAID's human capacity.

Think of the Congress in terms of "local ownership"—the effectiveness of engaging the Congress, not by sending up a legislative proposal and expecting the

Congress to expeditiously enact it into law, but working with interested congressional members and staff over a period of time to collaboratively develop a concept and framework of a new policy or program change. To be a constructive partner, the Congress needs to be engaged in an ongoing dialogue on a range of issues over a period of years. While it can be time consuming and frustrating, in the medium to long-run it can pay off.

Sure that is asking a lot, as is suggesting the Congress modify its behavior, such as returning to normal procedures of enacting the annual state and foreign operations appropriations bill and regular authorization bills. The appropriations and authorizing committees need to take seriously their oversight and legislative responsibilities, move away from just pushing money through earmarks and imposing conditions and restrictions to focusing on strategic and policy issues, and conducting responsible oversight of assistance outcomes and results.

Development Finance

Strengthen U.S. development finance instruments.

While not part of the original aid reform agenda, the role of development finance has received growing attention in recent years. As private resource flows to, and international corporate activities in, developing countries have expanded, U.S. government tools and mechanisms to engage and facilitate private sector activity have been engaged to their maximum capability and been unable to fully seize the opportunity.

The principal U.S. development finance institute (DFI), OPIC, has often been the go-to organization that the U.S. government has employed in responding to recent development opportunities. Yet compared to its European and multilateral sisters, OPIC—representing the world's largest economy and global disciple for private enterprise—has middling authorities and capabilities. Among the international DFIs, OPIC has the tenth largest portfolio and staffing level, lacks the equity authority possessed by 20 other DFIs, has no grant authority, and is the eighth most profitable. In fiscal year 2013 it had gross revenues of $450 million, expenses of $288 million, and a net income of $162 million.[86]

The TDA, which supports U.S. firms in pre-feasibility studies and other areas and reports a return of $73 in trade for each dollar programmed,[87] is constrained by a small staff and low budget. USAID's principal finance tool, the Development Credit Authority (DCA), which shares credit risks with developing country finance institutions in order to entice them into more inclusive lending, is constrained by having to count against its legislated caps the full principal rather than just the portion of a project it guarantees. The budgetary resources of all three tools have risen only modestly over the past decade.

The administration and Congress took a step in the right direction with the FY 2014 appropriations, which raised funding for OPIC by 17 percent (from $77 million in FY 2013 to $90 million) and for TDA by 19 percent (from $47 million in FY 2013 to $55 million).[88] The executive branch, working with the Congress and interested private sector and civic organizations, should develop a package of initiatives to enhance U.S. development finance instruments, including providing OPIC with a multi-year authorization to operate,[89] equity and first loss authority, grant resources either directly or through USAID, and expanding the authorities and resources of TDA and DCA. These and other recommendations to strengthen US DFIs are found in recent

reports by experts at three think tanks,[90] the Global Development Council,[91] and the U.S. National Advisory Board on Impact Investing.[92]

Beyond such short-term fixes, as part of U.S. engagement in the post-2015 deliberations, the administration and private sector experts should commence a conversation around expanded mechanisms to engage private finance in support of development. Where and what are the appropriate public and private risks? What is the appropriate role for the U.S. government in reducing those risks? And how can government involvement be targeted on projects that advance inclusive development?

Post-2015 Agenda

Stay focused on the post-2015 agenda and build a domestic constituency.

A matter that will have a huge impact on development and on U.S. policy is the post-2015 agenda. This has not been part of the aid reform agenda as the issue has emerged only in the past several years, but the outcome of this process is will strongly influence the global development agenda for the next 15 years, 2016 to 2030. The report of the High-Level Panel[93] has set a framework that updates and joins the global development and environmental agendas and is informing discussions over the coming year. The landscape set forth in the panel report is broad and multifaceted, focusing less on donor assistance and more on the role of the private sector and countries' own actions and resources in advancing environmentally sustainable and inclusive growth. Other key issues include "leave no one behind," the role of women, the transparency and data revolutions, and the new global partnership. The Obama administration has been an important participant in the deliberations and is expected to continue to be engaged in the multipronged post-2015 deliberations.

Beyond that, the entire interested U.S. community—the administration, civil society, and business—must begin to plan for the new agenda and global goals. We must learn from the U.S. debacle post-adoption of the MDGs. Although USAID played a lead role in the construction of the Millennium Development Goals, the U.S. was caught short without sufficient political and domestic will upon their adoption and for years was a side player, not fully endorsing the goals nor encompassing them in U.S. policy and programs.

To avoid a repeat, U.S. political and opinion elites, civil society, and the private sector must be part of the process of U.S. engagement in the post-2015 agenda so there is a critical mass of understanding and support for the goals that are to be adopted in September 2015.

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ISSN: 1939-9383

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