

Frequently Asked Questions About U.S. Foreign Assistance Reform

Fact Sheet

Office of the Director for U.S. Foreign Assistance

Washington, DC

June 15, 2006

Frequently Asked Questions About U.S. Foreign Assistance Reform

"The resources we commit must empower developing countries to strengthen security, to consolidate democracy, to increase trade and investment, and to improve the lives of their people. America's foreign assistance must promote responsible sovereignty, not permanent dependency." – Secretary Rice, January 19, 2006

What is the purpose of reform?

In recent years, America has significantly increased its assistance to our partners around the world. Yet, as Secretary Rice has noted, the current structure of America's foreign assistance risks incoherent policies and ineffective programs and perhaps even wasted resources. By coordinating our activities more fully across the U.S. Government – beginning with aligning State and USAID – we can be better stewards of public resources. This reform provides strategic direction by focusing all U.S. foreign assistance on helping to build and sustain democratic and well-governed states that respond to the needs of their people and conduct themselves responsibly in the international community. We are taking a proven approach based on results and sustainability, and aimed at increased transparency, accountability, and effectiveness.

Does this mean that USAID is now part of the State Department?

No. USAID remains an independent agency, and continues its role as the United States Government's premier international development institution. We will continue to look to USAID to find the reservoir of expertise and experience that is crucial to meeting the unprecedented development challenges of this century.

Does the focus on governance detract from efforts to reduce poverty and promote equitable growth?

The United States remains committed to addressing poverty, disease, and suffering. As development policy has recognized for a long time, it is necessary but insufficient to address the conditions people endure without addressing the cause. As the President has noted, development must engender lasting economic, social, and political progress, through a transformation of institutions, economic structures, and human capacity—such that nations can sustain further progress on their own. The primary responsibility for achieving this transformation rests with the leadership and citizens of developing nations. But the assistance and policies of the United States can play a vital supportive—and catalytic—role. Sustainable development helps nations transform institutions to meet their citizen's needs. Improved governance and democratic participation are drivers of development—and thus reduced poverty and equitable growth. As Nobel Prize winner Amartya Sen has noted, no true democracy has ever experienced a famine.

What makes "democratic" and "well-governed" states?

In layman's terms, well-governed, democratic states are those that promote the rule of law and human rights; hold transparent and fair elections coupled with a competitive political process, have a free and independent media, strong civil society and citizen participation in government; and have governance structures that are efficient, responsive and accountable to their people. From a technical standpoint, in categorizing countries, our strategic framework builds on the indicators adopted by the Millennium Challenge Corporation. It adds to the criteria for MCC eligibility a red line on political rights, similar to the MCC's red line on corruption.

Does a "strategic" approach from Washington mean the field will have less input?

No. In fact, the field will be responsible for submitting country operational plans that outline how funding will be used in line with the overarching transformational diplomacy goal established by the Secretary. While the reform effort will set goals and define priorities centrally, the method for meeting those goals will be determined by the Ambassador and country team – those who live and work in the country.

How will the country-level approach address global and regional challenges?

The country focus is the starting point, not the end point, of our comprehensive USG-wide foreign assistance strategy. We recognize that there are some issues best addressed through regional approaches. Global or regional programs will be reviewed for how they help address the five priority objectives of U.S. foreign assistance.

Frequently Asked Questions About U.S. Foreign Assistance Reform

Will the public be able to measure the success of foreign assistance?

Yes, in fact, one of the major aims of this reform is to strengthen our ability to measure and communicate the impact of our foreign assistance funding to the American People, Congress, and those we seek to assist. We expect to put forth indicators that will allow us to compare performance across countries, programs, and partners.

How does the reform add coherence to U.S. foreign assistance?

In the past, State and USAID personnel working in-country submitted their own plans, to their own agencies, for their own operations—often on different timelines. This resulted in inconsistent opportunities, and little motivation, to compare programs across agencies and ensure that foreign assistance programs were comprehensive and coordinated. One of the great lessons of the President's Emergency Plan for AIDS Relief – which has successfully brought together and coordinated the efforts of six USG agencies – is that when all agencies bring their strengths to bear on shared goals, impact is much greater. The new structure for foreign assistance adds value by combining functions in common to pull together a comprehensive picture for decision making. Given that 75-80% of all foreign assistance funding is under State or USAID, this is an important first step toward a more cohesive USG-wide approach to foreign assistance.

Is it possible to reform foreign assistance given congressional earmarks?

Congress has also recognized the need for reform and has been supportive of the efforts of the Office of the Director of U.S. Foreign Assistance to improve the strategic allocation of resources and increase transparency and accountability for results. We need to do our part to present Congress with a well-justified budget that clearly lays out our proposal for the strategic allocation of foreign assistance dollars in support of shared goals. One benefit of our approach is that it gives leadership in both the executive and legislative branch the tools they need to evaluate the trade-offs associated with resource allocation decisions. The budgeting practices we are establishing with this reform will provide Congress with more detailed, timely and accurate information. In doing so, Congress will be better positioned to make informed decisions about how their budgeting priorities fit into a comprehensive picture of U.S. government foreign assistance.

How will the Office of the Director of U.S. Foreign Assistance work with the MCC and the Office of the Global AIDS Coordinator?

The Director of U.S. Foreign Assistance is responsible for ensuring that all U.S. foreign assistance is part of a coherent strategy, and consistent with country-specific foreign policy goals. The Administration now has a variety of development tools to help promote the President's transformational development strategy. We must be sure that all tools are leveraged for maximum impact—in some cases reallocating funding to reduce duplication, in some cases funding complementary programs, and always supporting graduation. Integrated country strategies and operating plans will help ensure that agencies are not working at cross purposes—that in fact we are taking advantage of agencies' comparative strengths to create a U.S. Government program that is effective and makes the most efficient use of taxpayer dollars. With both MCC and PEPFAR contributing to those integrated strategies – both in Washington and in the field – the reform creates opportunities for synergy and efficiency within existing statutory authorities.