U.S. Foreign Aid Reform Meets the Tea Party

John Norris  November 2010
CAP’s Doing What Works project promotes government reform to efficiently allocate scarce resources and achieve greater results for the American people. This project specifically has three key objectives:

- Eliminating or redesigning misguided spending programs and tax expenditures, focused on priority areas such as health care, energy, and education

- Boosting government productivity by streamlining management and strengthening operations in the areas of human resources, information technology, and procurement

- Building a foundation for smarter decision-making by enhancing transparency and performance measurement and evaluation
Members of the advisory board do not necessarily share all the views expressed in this document.
Contents

1 Introduction and summary

5 Focus, focus, focus

15 Assistance or development?

19 Bringing Congress along

21 The time is right for a bipartisan approach to foreign aid

25 Conclusion

26 Endnotes
“Accountability starts at home. I mean, we have a less-than-perfect track record in actually delivering as big a percentage of the dollar spent on aid as is needed. We spend a lot of money doing things that are not rooted in evidence, and we want to have an evidence-based development policy.”

– Secretary of State Hillary Rodham Clinton, September 28, 2010

“I think we all recognize that development is a graveyard of pieces of paper; lofty rhetoric not matched by action. But it starts with what you have before you today, and it requires the commitment of people running these agencies, understanding what’s necessary and being willing to spend some time on fixing it. And you have to start with that.”

– Secretary of the Treasury Timothy Geithner, September 28, 2010

“I guess what caught my attention and helped prompt the Landon lecture was when I discovered that when I had retired the first time in 1993, USAID had 15,000 or 16,000 people. They were deployable. They were expert. They expected to live in harsh conditions, often fragile security. But they were out there. And when I came back to government [in 2004], USAID had about 3,000 people and it was basically a contracting agency. And so it would seem to me we needed the inherent capability inside the government with committed professionals to carry out this work to be successful in Iraq and Afghanistan.”

– Secretary of Defense Robert Gates, September 28, 2010
Can U.S. foreign aid reform and a Republican-led House of Representatives coexist? At first blush, this might seem like the most unlikely of bedfellows. Many of the newly elected Republicans in the House are strong fiscal conservatives, boast limited interest in international affairs, and would seem naturally hostile to foreign aid. Yet, in reality, there is far more common ground to be had than one might imagine.

The Obama administration’s recent efforts to overhaul development programs—long a neglected stepchild of U.S. foreign policy—are an important starting point for the conversation on how we can make our assistance efforts more effective and evidence-based. Statements such as those on the preceding page by Secretary of State Hillary Clinton and Secretary of Defense Robert Gates underscore the simple truth that foreign assistance programs are essential to our national interests, improving millions of lives around the globe. Yet the programs constitute a smaller portion of the federal budget than most Americans imagine, and are often poorly managed with little strategic coordination.

President Obama’s desire to promote foreign aid reform can make consensus possible if it is coupled with a genuine dialogue with the new 112th Congress, which will be sworn into office in January 2011. The Obama administration’s September 22, 2010 Presidential Policy Directive on Global Development sets out a distinctly new course for U.S. development programs. The basic tenets of the new policy are more sharply focused programs centered on countries that are actually willing to make a core commitment to real political and economic reforms. And that focus is accompanied by stronger accountability for both donors and recipients, an emphasis on sustainable economic growth—measuring what works to increase success—and a greater willingness to explore effective burden-sharing roles with a variety of foreign aid partners.

This new U.S. foreign aid policy framework was well received by a wide spectrum of organizations and commentators, ranging from some traditional aid critics to major groups, such as the Modernizing Foreign Assistance Network, that have
long supported reform efforts. All welcomed an effort to bring greater clarity, discipline, effectiveness, and simplicity to our aid programs.

Articulating a new policy direction, however, is different from making it happen. This paper explores some of the profound changes that will need to occur to bring current U.S. foreign aid practices into line with the policies articulated in the president’s very sensible vision—at a time when Congress takes on a dramatically different membership. The paper also discusses some of the tensions that will need to be resolved in the months and years ahead if the United States is to effectively and efficiently promote development in pursuit of principled self-interest and better living standards around the globe.

Indeed, it is important to note that the release of the new policy directive, while an important step forward, is far from the last word on these issues. The Obama administration did not release the full text and findings of its review, instead releasing a boiled-down fact sheet for public consumption. The public fact sheet contains relatively little information about how the new policy will be enforced within the respective bureaucracies and what streams of foreign assistance will be considered as falling under the new policy.

One important case in point: The administration announced the formation of an “Interagency Policy Committee on Global Development,” led by National Security Council staff, which is tasked with setting policy priorities and facilitating decision-making “where agency positions diverge,” yet the directive offered no insight as to how this body will function in a day-to-day fashion or the scope of its activities.

In effect, the president’s new policy directive commits the federal government to “more effectively draw” on the work of a wide range of agencies now involved in development beyond the State Department and the U.S. Agency for International Development, or USAID, including the Departments of Agriculture, Health and Human Services, Justice, Labor, Commerce, and Treasury, the Overseas Private Investment Corporation, the U.S. Export-Import Bank, and the U.S. Trade and Development Agency. But it is not evident that the National Security Council will have a direct enforcement role to ensure that the programs from this wide array of agencies are in compliance with the new policy, or that all of the different policies from different agencies will be integrated to create an effective country-level strategy.
It is also noteworthy that neither the new policy directive nor the likely results of Secretary Clinton’s first Quadrennial Diplomacy and Development Review, or QDDR, have fully resolved a long-simmering tug of war between the State Department and USAID. Many development aid advocates had hoped for a fully independent USAID to be given cabinet status, as is the case in Great Britain. In contrast, many diplomats and a number of legislators have long yearned for USAID to be fully collapsed into the State Department. And now there may be another faction that will weigh into the debate—House Republican leaders. It is important to note that after the 1994 midterm election, which saw the Republicans take control of both the House and the Senate, there was a push to abolish USAID, fold its remnants into the State Department, and dramatically cut funding for aid programs.

That proposal to eliminate USAID ultimately collapsed after an extended battle. In the current political environment, then, it makes little sense to reopen the debate to either make USAID completely independent or to fold it more completely into the State Department. Instead, under its current review, the administration revived or partially revived some important policy and budget functions within USAID, leaving the agency with a degree of autonomy. Yet the administration also made it abundantly clear that the agency still operates under the broad policy guidance of the secretary of state, and that State Department officials will remain deeply engaged in decision-making on many key aspects of development while taking an even more prominent role in managing complex crises.

This strategic hedge is somewhat unsatisfying to all sides, but there appears to be little appetite to refight the battle over USAID’s ultimate status. For the president’s new policy directive to be effective soon and over the long term, then the administration must work with Congress in a bipartisan fashion to overhaul our foreign aid programs so that they all adhere to the new strategy. This will require making some difficult choices and then sticking with them. And it will definitely require a concerted bipartisan push, including a concerted effort to get new Members of Congress on board with sensible reforms that are in the best interests of their constituents.

While many have been quick to suggest that the November 2010 midterm elections will result in gridlock in Washington, there are good reasons why foreign aid reform can continue to gain traction. In the pages that follow, we will detail why this is the case, first by presenting the strategy behind the president’s new policy directive and then demonstrating how it could work in practice. We then conclude with recommendations on how to implement this strategy in Congress by:
• Focusing on countries where assistance will make a real difference
• Having the discipline to walk away from partner governments that are not committed to reform unless there are clearly articulated strategic or humanitarian reasons for doing so
• Curbing the tendency to use foreign aid to secure short-term political gains rather than achieving long-term development goals
• Bringing far greater clarity and direction to the maze of different government entities conducting assistance through specific regulatory and legislative fixes
• Explaining effectively that foreign aid reform is the right thing to do both in terms of our national interest and our basic values as Americans

Together, these recommendations as detailed in this report could reset our foreign aid strategies to make them more effective, more sustainable, and more politically viable in Washington and around our nation. It is also important to note that a more effective approach to foreign assistance across the board could help ultimately lessen the burden placed on already overstretched U.S. defense forces.
Focus, focus, focus

President Obama’s new development strategy makes abundantly clear that U.S. foreign assistance should be targeted toward countries where “leaders govern responsibly, set in place good policies, and make investments conducive to development.” This policy underscores the greatest fundamental lesson from the last four decades of development—it just doesn’t work in countries where the leadership is not committed to reform and to their own people. Conversely there is a reasonable body of evidence that development assistance can produce very positive results in the right environment—although none should assume that aid is some sort of silver bullet. Money, in all but specific humanitarian or strategic cases, should follow reform.

The president’s new policy directive does articulate that there will be some exceptions where U.S. assistance is provided largely for strategic purposes—Egypt, Israel, Afghanistan, Pakistan, and Iraq spring to mind—but it is not clear whether these cases will remain a relative minority going forward. The United States will also continue to provide humanitarian assistance at moments of great need. But the policy itself suggests a far greater level of diligence will be brought to bear, stating that the United States need to:

“Be more selective about where and in which sectors it works. The United States cannot do all things, do them well, and do them everywhere. Instead, the United States must focus its efforts in order to maximize long-term impact. The United States will:

• Make hard choices about how to allocate attention and resources across countries, regions, and sectors
• Demand greater focus from assistance programs within countries, especially those with small programs
• Reallocate resources in support of those efforts that yield the greatest impact.
• Increase the focus of resources, policy tools, and engagement in support of select countries and subregions where the conditions are right to sustain progress.”
The notion that U.S. foreign assistance needs to be better focused is, in of itself, not controversial, and one would be hard pressed to find any commentator who suggests that the United States needs to distribute funds in more countries than it currently does. But few appreciate just how unfocussed U.S. assistance has been, and how challenging the bureaucratic process will be if the portfolio of countries receiving U.S. assistance is to be refined into a smaller, but much better-performing, pool of countries driving toward lasting economic growth and more open governance.

In short, our government does not need to reduce its overall spending on assistance programs, we need to much more effectively concentrate these resources so that they have a genuinely catalytic impact in countries selected on the basis of merit through such efforts as combating corruption, nurturing democracy, and pursuing sensible economic policies. There should be clearly articulated and measurable barometers for determining where assistance is directed and why.

Several facts help illuminate the broad, and often seemingly haphazard, set of countries now receiving U.S. aid dollars. In 2010, the United States will provide aid to 151 countries around the globe out of the total of 194 countries it formally recognizes. (This figure, and all budget numbers in this paper, are pulled from the administration’s Fiscal Year 2011 Congressional Budget Justification for Foreign Assistance unless otherwise noted.) This means that the United States provided foreign assistance (in a multiplicity of different forms) to almost 80 percent of the countries on the planet this year.

According to USAID, it alone maintains 96 field missions around the globe, in locations receiving substantially enough assistance that the agency maintains an in-country office and personnel. Of those 96 missions, a number are regional hubs or serve as liaisons with international institutions. These include missions such as a regional Asia office located in Bangkok and a liaison office with the United Nations maintained in Geneva. (See the map on page 7 for a complete list of USAID missions.)

Even a cursory examination of the list of countries hosting U.S. missions or otherwise receiving U.S. assistance makes apparent that there are some countries currently benefitting from U.S. assistance that would not be considered as being significantly reform-minded and where the U.S. national strategic imperative is less than compelling. Take Belarus. The United States currently has a USAID mission there and is expected to provide that country with $15 million of assistance this year, a mixed bag of programs to support community services for vulnerable
Current U.S. Agency for International Development missions abroad

USAID currently operates 96 Missions around the globe, and our foreign aid goes in some form or another to 80 percent of the countries on earth.

Source: USAID.
groups such as orphans, an agribusiness volunteer program, some antihuman trafficking work, and civic participation programs. Yet here is the description of the overall political situation in Belarus from the 2010 edition of Freedom House’s well-regarded Freedom in the World index:

“Despite incentives from the European Union to introduce reforms, President Alyaksandr Lukashenka maintained a tight grip over Belarus’s political and economic systems in 2009. He continued to use police violence and other forms of harassment against the political opposition, and blocked independent media from covering demonstrations through systematic intimidation. After releasing all of its political prisoners in 2008, the regime incarcerated more activists in 2009. The country made no substantial progress in reforming its electoral code, and overall hopes for an improvement in the political situation went unrealized.”

The State Department’s own 2009 Human Rights Report notes of Belarus:

“Since his election in 1994 as president, Alyaksandr Lukashenka has consolidated his power over all institutions and undermined the rule of law through authoritarian means, manipulated elections, and arbitrary decrees. Subsequent presidential elections have not been free or fair, and the September 2008 parliamentary election failed to meet international standards. While civilian authorities generally maintained effective control of the security forces, their members continued to commit numerous human rights abuses.”

Other notable countries hosting USAID missions that show up on Freedom House’s list of ‘Not Free’ countries in 2010 include: Afghanistan, Angola, Azerbaijan, Cambodia, the Democratic Republic of Congo, Guinea, Kyrgyz Republic, Russia, Sudan, and Zimbabwe. A total of 21 USAID missions are located in countries rated as ‘Not Free’ by Freedom House.

Of the total 151 countries receiving aid in 2010, one wonders how some countries made the cut. In Swaziland, where the prime minister recently suggested that dissidents be beaten on their feet with spikes, and where King Mswati III lives in luxury as his country suffers multiple ills, the United States will spend almost $28 million in aid during 2010. This includes the delivery of International Military Education and Training funds.

Similarly, Turkmenistan, one of the most autocratic states in the still-largely autocratic region of Central Asia, is expected to receive more than $16 million in funding during 2010.
Then there’s Ireland, a country one would have thought would have safely graduated from the need for U.S. aid assistance. Dublin will receive $17 million in U.S. foreign assistance funds during 2010. Equally disturbing, the funding levels for Swaziland, Turkmenistan, and Ireland are all up from 2009 levels, suggesting that discipline in identifying ‘good partners’ is more theoretical than practical at this juncture.

While in some cases this assistance is relatively marginal in terms of the overall federal budget and is designed at least in some cases to foment political or economic change, the policy imperative spelled out by President Obama is direct in arguing that precious foreign aid dollars should be placed in those countries where its impact will be greatest. Conducting support for alfalfa farmers in Belarus will not produce that type of catalytic change needed for those farmers to operate in a more open economic and political climate. Belarus has not embraced major economic or political reforms and is not a deserving aid recipient in a time of increasing fiscal austerity in Washington. These types of marginal programs in bad host countries will also serve to further alienate members of Congress from both parties while making it difficult to argue that aid reform is actually taking place.

Perhaps there is no better indication of the relative indiscipline in selecting aid recipients than when we consider the countries where USAID closed out missions in the mid-1990s. The missions were all closed for one of three reasons:

- They were small and expensive to operate
- Host governments were poor partners (including host country insecurity)
- The countries were deemed to have “graduated” from the need for a mission

Twenty-six missions were closed based on these reasons during the mid-1990s, yet all 26 countries still received U.S. assistance of some form in 2009.¹³

This is not to say that some of these countries did not make a transition to the next level of development, or had a subsequent spike in genuine need. But the United States boasts an enormous breadth of interests around the globe, and the multiple types of U.S. foreign assistance programs—ranging from humanitarian relief to military training—are rarely oriented toward genuine development as the overriding goal. As a result, U.S. assistance programs operate in too many countries under very diffuse authorities while producing wildly uneven results.

A recent joint report on the quality of U.S. foreign aid programs and their effectiveness by the Center for Global Development and the Brookings Institution underscores this exact point:
Perhaps history explains the low scores of the United States on the quality of its aid. Among the 31 bilateral and multilateral funders included in our country analysis, the United States is in the bottom third on all four dimensions of aid quality, including lowest but one on fostering institutions… Though the United States spends a large portion of its total aid resources in just a few countries (Afghanistan, Egypt), it does poorly among other reasons because it is a very small player in a large number of other aid-recipient countries—reducing the overall efficiency of the aid system and adding to the reporting and other administrative burden of recipients. Its long tail of small programs all over the world possibly reflects its diplomatic objectives at some cost to the development effectiveness of its aid spending.14

It would be patently unfair to blame USAID alone for the decision-making that has led to U.S. assistance being far more diffuse and disorganized than would be ideal. Many agencies beyond USAID are involved in delivering the different forms of U.S. assistance. The process of determining where aid flows is complex and sometimes highly charged, involving a range of actors including USAID, ambassadors, other State Department officials, federal budget officials, and Members of Congress on the government side of the equation; and nonprofit organizations, for-profit contractors, universities, and various advocacy groups on the private side. All of these constituencies can be brought along with sensible change, but there will need to be a clear and well thought out process for addressing and adjudicating these concerns if reform is to take root.

There are important lessons for Obama administration officials to consider as they implement the president’s foreign aid directive. Specifically:

• Corral the lack of discipline within the government bureaucracy
• Develop sound criteria for determining foreign aid recipients
• Look to the Millennium Challenge Corporation experience
• Boost foreign aid transparency
• Make the tough decisions and stick with them
• Fast track only those countries clearly worthy of the effort

Let’s consider each of these lessons in turn.
Corral the lack of discipline within the government bureaucracy

To implement the president’s new policy directive will require some very tough bureaucratic infighting to ensure that foreign assistance is directed with the discipline evident in the new strategy. The pressure will always be to add more programs in more places and to continue existing programs “for just one more year” because of existing commitments, or investments already made (sunk costs), or to avoid ruffling diplomatic feathers.

USAID’s own evaluation materials makes this clear: “Though graduation would logically be the end result of all USAID’s development work, actual graduation is almost uniformly resisted within the agency. Graduation, despite its implication of laudable socioeconomic progress, carries the reality of an aid cut-off. As such, it is a subject (and a decision) held closely within USAID’s senior levels.”15

This lack of discipline not only undermines the effectiveness of aid programs, it also undercuts public and congressional support for their implementation. First and foremost, then, the Obama administration needs to discipline itself according to its own strategic guidelines. If the total number of countries receiving aid is not reduced significantly so that more substantial resources can be put in countries doing the right thing, then the administration will have no one to blame but itself if aid reform stalls.

Develop sound criteria for determining foreign aid recipients

The calculations in determining aid recipients are often based more on political and diplomatic considerations than sound development aid criteria, and there is no formal set of criteria to determine aid recipients other than those that are part of the Millenium Challenge Corporation process. Almost every ambassador wants to have assistance programs in place because they buy the ambassador leverage, provide good will, spark needed change, or simply raise their profile as an ambassador.

While everyone wants to see U.S. diplomacy and development work in concert, the imperatives of diplomacy have resulted in some of the most notable aid failures since 1961, when USAID was created. The United States, for example, poured hundreds of millions of dollars into the former Zaire under President Mobuto Sese Seko because the country was seen as a key Cold War ally. Large amounts of aid to Mobutu were simply looted by him and his government and transferred to Swiss bank accounts.
Given the nature of diplomatic work, the perspective of most diplomats is naturally focused on the short-term, while development experts need to adopt a long-term perspective built around nurturing lasting change that is owned at the local level. Most U.S. diplomats are given little or no training in development, so it is difficult for them to approach foreign assistance programs from a perspective of promoting development rather than simply securing short-term diplomatic goals. If a country is not willing to tackle corruption, is highly repressive, or maintains economic policies largely for the benefit of its elite, such a country is simply not going to be good places to invest foreign aid dollars.

Not only does the Obama administration need to clarify the criteria it will use in selecting countries for aid, it will also need to spell out how progress toward key development goals will be measured. This reinvigorated approach to monitoring and evaluation will be vital in that it will make it easier to put additional resources into programs that work so that success is scalable while reducing funding for programs that are not proving their merit as investments. It should also encourage greater innovation.

This type of evidence-based approach would reassure all involved that the administration is taking a credible approach to reform. It should also be noted that monitoring and evaluation efforts should not be so burdensome to field staff that they simply become consumed by paperwork. (The types of criteria that could be applied by the administration will be more fully addressed in subsequent reports.)

Look to the Millennium Challenge Corporation experience

Without being unduly mechanical or mechanistic, there need to be relatively clear criteria for determining which countries are good candidates for assistance and which are not. The Millennium Challenge Corporation has already developed many of these criteria in a relatively effective way. The Millennium Challenge Corporation was created in 2004, and it offers development assistance to eligible countries that are willing to go through a rigorous application and evaluation process. Applications from these countries are measured against 17 policy indicators by the Millennium Challenge Corporation’s board, and assistance is limited to a five-year “compact.”

Yet one of the frustrating aspects of the president’s new Global Development Policy Directive is how little it has to say about the Millennium Challenge Corporation and how it relates to the new policy. The MCC is mentioned only a
single time in the administration’s fact sheet on the new policy—even though the policy itself seems to be largely modeled on the same thinking behind the MCC. Greater clarity on how the administration will develop and apply criteria for directing its development assistance, beyond the MCC, is both vital and overdue.

Boost foreign aid transparency

The Obama administration will need to be more transparent about those cases where foreign aid is being delivered largely for strategic or diplomatic purposes and avoid trying to dress up these examples under less than credible rhetoric about development. Traditionally, even those cases where assistance is being delivered largely for strategic purposes, such as Egypt, the language used to justify the decision leans heavily on the case of good development.

The United States has given Egypt more than $28 billion in assistance since 1975, with current programs focusing “on trade and investment; utilities; education; healthier, planned families; natural resources; and democracy.” Egypt is indeed a key security partner for the United States, but touting it as a development success story relative to the total number of dollars invested, particularly in sectors such as democracy, just doesn’t make sense.

The administration has taken a number of steps to make information about USAID’s programs and budgets more readily available to the public, and this is a welcome step.

Make the tough decisions and stick with them

There will be lots of difficult cases, and the Obama administration’s new policy will be largely judged by how it handles these bellwether cases. Perhaps the trickiest category will be countries that largely function as one-party states but are making substantial economic progress.

Consider Rwanda. On the one hand, Rwanda has made remarkable progress since the 1994 genocide and has been one of the most dynamic economic innovators in Africa over the last decade. Rwanda has generally embraced economic reforms and done well in limiting corruption. Rwanda has been a useful partner to the United States, and is a significant troop contributor to the United Nations peace-
keeping mission in Darfur. On the other hand, Rwanda’s government engages in numerous human rights abuses, including around the recent presidential election, and recently was accused in a UN report of conducting war crimes and crimes against humanity in neighboring Congo during 1996 and 1997.17

Similarly, Ethiopia, a key ally in U.S. counterterror efforts in Somalia, has been accused by Human Rights Watch of being implicated in “numerous war crimes and crimes against humanity both within Ethiopia and in neighboring Somalia.”18 But by the same token, Ethiopia’s economy is now growing rapidly in part because of some long overdue economic reforms that have brought in greater levels of foreign investment.

In numerous historical cases we have seen countries achieve economic growth without embracing democracy (particularly in those cases where corruption was held in check). The question then becomes whether these economic reformers who suffer major democracy deficits deserve sustained U.S. assistance and if that assistance is in our long-term best interest. This paper is not to argue for or against aid to specific countries, but cases such as Rwanda and Ethiopia will be closely watched.

Fast track only those countries clearly worthy of the effort

Some of the eight countries chosen to be “fast-track” countries in the administration’s recently announced Global Health Initiative—Bangladesh, Ethiopia, Guatemala, Kenya, Malawi, Mali, Nepal, and Rwanda—already underscore the challenge of determining what exactly a “reform-minded country” looks like.

The fact that Ethiopia, Nepal, and Rwanda were included in this list at a time when all three states are in the throes of some very serious governance issues suggests that democracy and human rights are being given a relatively lower priority in measuring a country’s commitment to reform. Investing in the health sector in these states, while failing to recognize their governance issues, may make change difficult to sustain.

The new policy review was explicit in demanding that the United States make hard choices and reallocate resources. The surest sign of whether or not this policy is being instituted as stated will come when the administration actually announces which countries will no longer receive aid. We examine that issue in the next section of this report.
Assistance or development?

The Obama administration’s global development review was relatively mum on a simple but central point related to the question of focus: Which of the foreign assistance accounts does the administration consider as falling under this new strategy? The question is an important one given the plethora of streams through which foreign assistance flows.

Money from the Development Assistance account, largely managed by USAID under State Department supervision, should obviously fall under the administration’s new, and more disciplined, strategy. So, too, should the Global Health and Child Survival accounts managed by both State and USAID. But what about Economic Support Funds with funding decisions made by the State Department and programs managed by both State and USAID? Or money spent on International Military Education and Training, primarily implemented by the Pentagon, with policy decisions shared by both State and the Department of Defense; and the assistance to Europe, Eurasia, and Central Asia account managed by USAID? And what about Transition Initiatives, Foreign Military Financing, Food for Peace, and the myriad other accounts at dozens of other federal agencies?19

There is a profusion of different U.S. departments and agencies involved in delivering U.S. assistance abroad. Congressman Howard Berman (D-CA), the Chair of the House Foreign Affairs Committee, notes that “12 departments, 25 different agencies, and nearly 60 government offices” are involved in U.S. foreign assistance programs.20 The administration’s strategy review brought welcome clarification to the policy governing assistance, but it remains unclear from the administration’s own statements how this new worldview will be applied in practice, and how instructions regarding the implementation of the policy will be communicated to the different departments, agencies, and offices delivering assistance and periodically reviewed for compliance. It also remains unclear why exactly there should be so many different government offices carrying out essentially overlapping functions.
Some of this may become clearer after the release of the Quadrennial Diplomacy and Development Review, or QDDR. The QDDR was initiated in July 2009 by Secretary of State Hillary Clinton as a broad policy and organizational review designed to strengthen diplomacy and development cooperation as key pillars of U.S. foreign policy and better align policy, strategy, authorities, and resources in these areas going forward. (The effort is modeled on the Defense Department’s Quadrennial Defense Review.) But it is also clear that absent very clear direction from the president and his team at the National Security Council, it is unlikely the other agencies involved in delivering U.S. assistance overseas beyond USAID will take the new policy direction to heart.

We cannot reform our nation’s development assistance if we only look at a narrow range of USAID programs and set aside the work of other agencies, including the Department of State. Each country where we deliver assistance deserves an integrated plan, approved by the National Security Council and the ambassador, that ensures that all streams of U.S. activity are coordinated and moving toward the same goals.

In short, the new development policies need to apply to all different government mechanisms delivering foreign assistance, and there needs to be a clear effort through executive branch regulations and congressional legislation to simplify and streamline authorities, policy objectives, and roles so that all government agencies act on this newly promulgated policy. Without a clear effort to codify the new policy through systematic regulatory and legislative change, the new development policy may prove to be little more than one more passing fad or initiative.

Equally notable, the administration’s new strategy is almost completely silent on the issue of how foreign aid should be prioritized and managed in complex security environments, such as Iraq or Afghanistan. This key decision in the president’s new directive merited a single sentence in the material released to the public on the new strategy, declaring: “The United States will seek an enhanced level of interagency cooperation in complex security environments by providing strong incentives for the design of common analysis, planning, and programs that draw upon the distinct perspectives and expertise of different U.S. agencies.”

To be sure, more articulation about how to deal with complex emergencies and transitions will be included in the pending QDDR, and such clarification is long overdue. Still, State and USAID combined have spent more than $67 billion in Iraq and Afghanistan since September 11, 2001, yet these high-profile programs have
been some of the least well-managed and least productive of assistance efforts in recent memory, and they have fueled considerable interagency tensions not only about the management of these programs but regarding their ultimate purpose.22

Early signals are that the administration will make the State Department the key coordinator of responses in complex emergencies. Yet, to date, the State Department has been very poorly staffed in terms of senior managers who have significant experience in managing assistance in complex emergencies. Simply taking a seasoned diplomat and assuming that he or she will understand the challenges of delivering assistance effectively in a complex situation like Afghanistan or Iraq will produce very mixed results, particularly when these individuals have had little or no training in managing such a complex operation.

The hard fact of the matter is this—U.S. spending in recent years on activities that can be credibly deemed long-term development are dwarfed by U.S. funding directed toward complex emergencies, humanitarian relief, the global threat of HIV-AIDS, and assistance to key “strategic” partners. Afghanistan, for example, received $2.6 billion in assistance in FY 2009, and this figure is actually far higher if one considers U.S. spending on regional organizations, international organizations, and humanitarian assistance, all of which are recorded as separate line items. In the same year, Israel received $2.2 billion and Egypt $1.3 billion.23 That is a great deal of money continuing to be funneled to activities that are clearly treated as exceptions to the administration’s new development assistance policy. Clearly, the administration’s willingness to exert genuine discipline in carrying out its own foreign aid policy will be vital.

Several practical examples can help underscore the real tensions between and within U.S. foreign assistance programs. In FY 2010, the United States will deliver about $7 billion of assistance to Africa across a range of international assistance accounts (again this figure would be higher if spending on humanitarian assistance and international organizations was included.) This would seem to represent a very large investment in helping shape a more sustainable future for Africa, and for boosting development prospects, including economic growth.

Yet about 65 percent of that total funding will go just to Global Health and Child Survival Programs managed by USAID and State. The child survival funds managed by USAID are largely directed to combating infectious diseases such as HIV/AIDS, malaria, and tuberculosis; helping vulnerable children; improving child and maternal health; and improving family planning and reproductive health. The
Office of the Global AIDS Coordinator at the Department of State manages funding for the Global HIV/AIDS Initiative, which constitutes the largest source of funding for the President’s Emergency Plan for AIDS Relief, or PEPFAR. These programs save lives, but they are not directed on the basis of whether countries are reform minded or not. Rightly or wrongly, they also do not fit easily within the construct of fostering long-term policy changes that would drive economic growth.

One of the largest recipients of Global Health and Child Survival funds in Africa is Ethiopia, which will have received more than $400 million through Global Health and Child Survival programs this year alone. How does Ethiopia fit within the president’s vision of directing aid to countries making hard political choices and supporting reform? Despite economic progress, Ethiopia engages in tough and repeated domestic political crackdowns, and even goes so far as to jam some Voice of America broadcasts. Yet at the same time, Ethiopia is a key military partner in U.S. military and counterterrorism efforts in Somalia. These are obviously conflicting policy priorities in need of resolution. Does it make sense for the United States to substantially underwrite Ethiopia’s health care system? Is this a wise long-term investment for the United States? Should our aid to Ethiopia be viewed solely through a humanitarian lens? Is PEPFAR more about delivering emergency relief to deal with a devastating health threat or is it about promoting lasting development?

Similarly, we will spend more than $540 million this year on Global Health and Child Survival programs in Nigeria, $600 million on the same programs in Kenya, and $560 million more in South Africa. How will these efforts be brought more in line with the president’s recently announced policy?

U.S. Global AIDS Coordinator, Ambassador Eric Goosby, in a recent congressional testimony on PEPFAR, stressed that the administration recently added:

“A focus on sustainability and country ownership, which includes building the commitment and capacity of governments. As we move forward with that task, we will increasingly emphasize a third dimension of activity—community empowerment.”²⁴

If the administration is indeed looking at sustainability, country ownership and community empowerment as a core part of PEPFAR, then the quality of governance of countries receiving PEPFAR assistance should loom as a larger issue, and huge PEPFAR investments in a country such as Ethiopia should be reevaluated in that light. In addition, Congress must be included in this discussion, as we detail in the next section.
Bringing Congress along

The president’s global development review pledges to establish “a shared vision of the way forward on global development.” Yet the lengthy process involved with both the global development review and the still-pending QDDR leaves some members of Congress and their staffs feeling as if they were not adequately brought along and consulted as the administration conducted its major policy reviews. This is regrettable.

Congress needs to be included in the policymaking process in a bipartisan fashion if the new development assistance strategy is to be effective over the long term, particularly given the makeup of the incoming 112th Congress. There should be a significant reservoir of support on the Hill for an approach to foreign aid that is more focused, less wasteful, and more likely to produce sustainable economic growth in developing countries.

This is especially important because many foreign aid sectors, aid delivery organizations, and recipient countries enjoy specific patrons and supporters on Capitol Hill, and often with good reason. The decision of where to close aid missions and where to discontinue specific assistance programs will need to be made firmly but in close conjunction and collaboration with the appropriate congressional oversight committees and appropriations committees.

The Obama administration so far is both coy and contradictory about possible foreign aid reform legislation. Senior administration officials noted quite clearly in background briefings that their new approach to global development strategy was not conducted with a legislative approach in the foreground. Yet the administration also does not shy away from arguing that effective development often is undercut by a confusing maze of governing rules, regulations, and laws. The administration itself noted before its new policy directive was released that federal government agencies were pursuing over 1,000 different development goals, objectives, and priorities. The administration now must make clear which of those development goals, objectives, and priorities should be cut, and how that will be communicated to the respective agencies.
The Foreign Assistance Act—the legislation largely governing foreign aid—was written in 1961. It has since been amended to include 33 different goals, 247 different directives, and 75 different priorities. The Obama administration suggests that once the QDDR is released, it will consult with Congress to determine what fixes recommended by the global development review and the QDDR can be made on a regulatory basis by the administration and which require legislative action. If the president’s reform effort is to survive the test of time, then the administration will need to work with Congress to greatly clarify and simplify legislation governing foreign aid.

Encouragingly, draft reform legislation is now circulating around the Hill, including language largely consistent with efforts to recraft our foreign assistance programs to be more focused on just what the president wants to accomplish. But nothing will move forward on the Hill until the administration completes its own review processes, and nothing will move forward unless the administration makes a concerted effort to reach common ground with a key group of legislators from both parties.

When, and if, that moment comes, effective reform will require discipline not only from the administration in where it chooses to direct aid, but also from Congress, which will need to limit the earmarks and micromanagement that make conducting development in a strategic, efficient manner quite difficult. It is hard to imagine that foreign aid reform will be as sweeping as promised in the policy review if the administration is unwilling or unable to work with Congress to address some of the structural and regulatory challenges that make U.S. development efforts far less effective than ideal. To this we now turn.
The time is right for a bipartisan approach to foreign aid

Although it might seem quixotic in the current political environment in Washington, there is actually substantial ground for Republicans and Democrats to coalesce around sensible foreign aid reform, despite the upheaval of the recent election. The administration’s own policy review and approach to development offers a good deal that should have bipartisan appeal. To achieve that bipartisanship, we recommend that administration officials:

- Emphasize its focus on promoting economic growth abroad
- Clearly convey to Congress what countries and projects will no longer receive funding because they are not in keeping with the administration’s more disciplined and selective approach to directing aid
- Conduct bipartisan consultations to map out a plan for streamlining the rules, regulations and legislation governing foreign assistance
- Effectively explain the national interests and moral imperatives for development

Each of these recommendations to boost bipartisanship are fleshed out below. Equally important, new members of Congress need to be open to persuasion when the secretaries of state and defense make a rational case for effective assistance programs that advance the national interest. Foreign aid is always attractive to cut, but as a very modest portion of the budget, even draconian reductions of aid would not go very far toward balancing the budget.

Focus on promoting economic growth abroad

Given the current economic climate, it is important for Americans to understand that foreign assistance programs not only assist the less fortunate but also help develop important long-term economic opportunities for the United States by raising living standards around the globe, increasing trade, and growing the pool of nations committed to free and fair trade. America’s greatest potential for dynamic growth will come in no small part from its ability to help develop
potentially huge markets in sub-Saharan Africa, Latin America, and Asia. The focus on market creation and job creation is something that should unify both sides of the aisle; market creation has long been a central tenet of Republican approaches to delivering assistance.

As former Republican Congressman from Wisconsin Mark Green argues, “Conservatives believe, in the words of Ronald Reagan, that ‘the best possible social program is a job.’ Foreign assistance, done right, can help foster conditions that strengthen consumerism, transparency, democratization, and markets. It helps entrepreneurs start businesses and governments to lower trade barriers, foster innovation, and create better environments for investment. Today’s developing countries are tomorrow’s trade partners.” The fact that a Democratic president is now carrying the mantle of promoting economic development should make a greater degree of cooperation possible despite the often tendentious political climate.

---

**Commit to working with governments committed to reform**

Foreign assistance has never been very popular among the American public, and it is extraordinarily difficult to explain to voters why the United States should deliver taxpayer dollars to countries where leaders are corrupt, engage in systematic human rights abuses, spurn democracy, and resist opening their markets. In that sense, the American public is perhaps more sophisticated than some policymakers. They understand we can only effectively help countries that are truly trying to help themselves and build upon the strengths of their own people.

If the Obama administration demonstrates it is serious about stepping away from aid programs in significant numbers of nonperforming countries and sectors, then it will send a powerful signal to lawmakers on both sides of the aisle that it is taking development reform seriously in practice. If the administration is sufficiently tough on itself and disciplined in its approach, it will also be in a much stronger position to argue to Congress that earmarks and other legislative micromanagement should be reduced. Many of these earmarks have sprung up over the years because Congress felt there was little real willingness by successive administrations to use tough-minded development criteria in determining where aid is directed.
Consult, consult, consult

Pushing foreign aid reform will require the administration to be far more consultative than it has been to date, even more so given the make up of the new Congress. On both the development strategy and the QDDR, many members have felt that their opinions and input have not been particularly valued.

That needs to change. Not only does the administration need to do a better job of articulating and explaining its approach to Congress, it also needs to listen, take aboard congressional concerns, and make reasonable, practical compromises to move aid reform and development forward.

Enlightened self-interest

Not all development efforts should be seen strictly through the lens of national security writ small. Senior U.S. military officials including the Chairman of the Joint Chiefs of Staff, Admiral Michael Mullen, and Secretary of Defense Robert Gates have made clear again and again that they see robust and effective U.S. development assistance programs as a key part of advancing U.S. security interests around the globe.

By helping reduce poverty, expanding the community of democracies, and focusing on conflict prevention and mitigation, development efforts can help make it so there are fewer major conflicts and crises to which the U.S. military is forced to respond. The United States stands to gain a great deal from a more stable developing world that is more open to trade and less susceptible to crises, disease, and upheaval.

Foreign aid reform advances key national interests on a number of fronts. In addition, it also makes a remarkable difference in the lives of some of the world’s poorest and most disadvantaged people. Alas, this is poorly communicated to Americans by the federal government and Members of Congress.

But the compassion of the American people should not be underestimated. Americans have long been some of the most generous private donors to international development and humanitarian efforts in the world. Effective foreign aid reform will help give the American people the peace of mind that their relatively modest investments of tax dollars dedicated to development can make a tremendous impact on the ground.
This needs to be effectively communicated to all Americans through their congressional representatives in a bipartisan manner. Pentagon officials have done an outstanding job making the case for greater development assistance, now the administration needs to make the case through its actions that it is getting both policy and practice right.
Conclusion

The combination of economic, national security, moral, and other considerations suggest that there is a relatively rare window of opportunity open for bipartisan consensus to shape lasting and effective reform in our foreign aid programs. But this will only happen if the Obama administration exerts genuine discipline in following its own policy approach, and reaches out to Congress in a bipartisan fashion, and Congress is willing to reduce its tendency to micromanage assistance programs in exchange for developing a more effective, selective, and efficient system for promoting development and economic growth around the globe.

With the completion of the president’s new directive on development policy and the coming completion of the QDDR, the Obama administration has a terrific opportunity to reach out to Congress to work together in a bipartisan fashion to craft a sensible set of legislative fixes that will make real foreign aid reform more likely to work. It is an opportunity all should seize.
Endnotes


3 Ibid.


7 White House, Office of the Press Secretary, “Fact Sheet: U.S. Global Development Policy.”

8 All figures on number of countries receiving aid and the expected 2010 spending levels are drawn from the administration’s Fiscal Year 2011 Congressional Budget Justification summary tables on foreign assistance.


12 All figures in this section are drawn from the administration’s Fiscal Year 2011 Congressional Budget Justification for foreign assistance, which includes estimated spending by country. The actual totals delivered to any country here cited here may actually be higher if they are also benefiting from regional programs, or programs and projects sponsored through other international institutions to which the U.S. government provides support.


14 Nancy Birdsall and others, “Quality of Official Development Assistance Assessment” (2010).

15 Frank D. Martin and others, “USAID Graduation: Recent Experience And Outstanding Issues.”


21 White House, Office of the Press Secretary, “Fact Sheet: U.S. Global Development Policy.”

23 All figures in this section are drawn from the administration’s Fiscal Year 2011 Congressional Budget Justification for foreign assistance.


About the author

John Norris is the Executive Director of the Sustainable Security and Peacebuilding Initiative at the Center for American Progress. He has served in a number of senior roles in government, international institutions, and nonprofits. He previously served as the Executive Director of the Enough Project, an advocacy organization committed to preventing war crimes around the globe, and was the chief of political affairs for the United Nations Mission in Nepal as that country tried to emerge from a decade-long war. Previously, he served as the Washington chief of staff for the International Crisis Group, conducting extensive field work and senior-level advocacy for resolving conflicts in South Asia, Africa, and the Balkans.

Earlier in his career, Norris served as the director of communications for U.S. Deputy Secretary of State Strobe Talbott. He also worked as a speechwriter and field disaster expert at the U.S. Agency for International Development. He is the author of several books, including the Disaster Gypsies, a memoir of his work in the field of emergency relief, and Collision Course: NATO, Russia and Kosovo. He has published commentary in The Washington Post, Los Angeles Times, Wall Street Journal, and elsewhere. He has a graduate degree in public administration.

Acknowledgements

Amanda Shelton was of invaluable assistance in researching and preparing this report.
The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”