

CONCEPT PAPER FOR FOREIGN AID REFORM 7-23-09

An agile and effective foreign aid program is vital to U.S. national security. Military leaders agree that the fight against violent extremism requires a civilian capacity to support local initiatives for meeting basic human needs, to provide training and materials for preventing and resolving conflict, and to offer technical assistance for strengthening democratic movements, among other objectives.

Yet U.S. foreign assistance laws, and the system that implements them, are significantly outdated and poorly suited to meeting the challenges of the 21st century. The cumbersome architecture designed for a twentieth-century world in which two superpowers competed for power and influence is no longer adequate in an age where transnational threats -- such as terrorism, climate change, nuclear proliferation, fragile states and the spread of deadly disease -- demand broad cooperation. The Foreign Assistance Act of 1961 -- the foundation of our foreign aid system -- articulates at least 140 goals and 400 specific directives for foreign assistance, but sets no clear priorities to guide decision-making. The agency created to administer our economic assistance and alleviate the worst physical manifestations of poverty has lost its vast cadre of technical experts and its ability to serve as a leading center for research, innovation and policy coordination. As a result, and further exacerbating the problem, foreign aid programs have become fragmented across 12 departments, 25 different agencies, and nearly 60 government offices, without a coherent and consistent strategy to unite them. Antiquated rules, tortuous procedures and excessive earmarks lock in funding levels more than a year in advance, with little flexibility to adapt to quickly changing situations on the ground. And because resource allocations are made without the benefit of quantitative program indicators and rigorous impact evaluations, there is little basis for determining which activities and approaches are most effective and where the needs are greatest.

To address these problems, we propose a bill to do the following:

1. Repeal the Foreign Assistance Act of 1961 and replace it with a completely new act. We would also consider repealing other outdated foreign aid legislation, and folding related acts into the new one.
2. Structure the new Act according to seven broad purposes of assistance. The purposes would be: (1) Reducing Poverty and Alleviating Human Suffering (development and humanitarian aid); (2) Advancing Peace and Mitigating Crises (conflict prevention and resolution, stabilization and reconstruction, peacekeeping); (3) Supporting Human Rights and Democracy (including rule of law, administration of justice, good governance); (4) Building and Reinforcing Strategic Partnerships (ESF, FMF); (5) Combating Transnational Threats (counternarcotics, anti-terrorism, non-proliferation); (6) Sustaining the Global Environment (tropical forest and coral reef conservation, climate change activities); and (7) Expanding Prosperity through Trade and Investment (OPIC,

TDA). There would be five additional titles for regional provisions, reporting requirements, authorities and restrictions on aid, organizational reforms, and repeals.

3. Make “Reducing Poverty” the overall purpose of development assistance, with nine specific goals. The nine goals would be: (1) Expand livelihoods and incomes through private sector development; (2) Promote adequate and reliable nutrition; (3) Advance child survival and maternal health; (4) Strengthen education and training; (5) Improve delivery of basic health care; (6) Enhance access to safe water, sanitation and shelter; (7) Protect and restore the natural environment; (8) Foster equal opportunities for women; and (9) Increase the responsiveness of governments to the needs of their people. Each of these goals would incorporate specific objectives, and would be explained in its own subtitle. There would also be a list of general principles and cross-cutting themes covering all the subtitles.
4. Provide increased flexibility to the administration. This would be accomplished through broader waiver and transfer authorities; new contingency funds; simplified and streamlined notification and reporting requirements; and developing a consensus to reduce earmarks.
5. Provide greater accountability to Congress and the American public. This would require the identification of measurable indicators of success; better monitoring and evaluation systems; a detailed and searchable database of foreign aid programs in lieu of numerous reports; and a needs and performance-based allocation system for development resources (see below).
6. Establish a needs-based and performance-based system for allocating development resources. Currently development assistance is allocated on the basis of how much was spent the year before, which sector has the most powerful supporters, or where the most recent crisis has been reported. Under the new system, detailed indicators and measurements would be utilized so that development aid could be apportioned to where the needs are greatest and where the dollars are most effectively and efficiently spent.
7. Elevate and strengthen USAID. In order for USAID to exercise meaningful leadership for global development, it will need to have its own, robust policy and planning unit; authority to produce its own budgets; a seat on the National Security Council; responsibility for the coordination and direction of U.S. contributions to U.N. development agencies, in consultation with the State Department’s Bureau of International Organizations; the mandate to chair the Millennium Challenge Corporation Board; supervision of the Office of the Global AIDS Coordinator; and the ability to convene inter-agency coordination panels. We would also address constraints on staffing and space in missions abroad, improvements in personnel training and development, workforce planning, contracting and procurement regulations, and the calculation of operating expenses.

8. Institutionalize a strategic planning and review process. As part of the Quadrennial Diplomacy and Development Review, the President would be required to develop a strategy for global development. Consistent with that overall development strategy, USAID would then create strategic plans for each of the nine “Reducing Poverty” goals.
 9. Omit authorization of funds. The bill would establish the framework and basic authorities for assistance, but would not authorize funding levels or contain any ceilings or earmarks, even “such sums as may be necessary”.
 10. Protection of strategic accounts. The bill would not alter the amounts or the way aid is provided to key friends and allies.
 11. Additional reforms. We are also considering additional reforms, particularly in such areas as interagency coordination, the return to civilian control of humanitarian and development programs, division of responsibilities for reconstruction and stabilization activities, and human rights conditionality.
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