Reforming and Reorganizing U.S. Foreign Assistance
Increased Efficiency and Effectiveness

A Bipartisan Task Force Report of the
CSIS Project on U.S. Leadership in Development

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*America is safer and more prosperous when we help the world become safer and more prosperous.*

As we celebrate the 70th anniversary of the Marshall Plan, which helped Europe get back on its feet after World War II, the challenges we confront today require the same sort of strategic vision and enlightened self-interest from the United States. There has been incredible progress in much of the world, and the United States can take some credit for it; but continued progress will require continued U.S. global leadership in development. Our friends seek our continued leadership, our adversaries fear it, and Americans should demand it.

Today our world struggles with terrorism, pandemics, and an unprecedented global migration crisis. These challenges, and others, directly threaten the safety of Americans and require our nation’s leadership, ingenuity, and innovation. Stable countries mean fewer breeding grounds for extremists and fewer people needing refugee assistance and asylum. Ebola and other pandemics do not respect national borders, so we must continue to help developing countries respond quickly, save more lives, and keep threats far from U.S. cities and citizens. Helping poor countries become prosperous—as we did in South Korea, Poland, Chile, and dozens of others—opens new markets for American goods and services, and creates new American jobs from Claremont, New Hampshire, to Gary, Indiana, and beyond.

The ability to solve the world’s greatest challenges showcases the true nature of American greatness. Virtually all major international accomplishments since World War II required U.S. leadership and engagement. Our global leadership has made us the most powerful and influential country in the world. It has also made us safer. Often, U.S. development assistance has transformed vulnerable partners into valuable military allies and/or trading partners—improving the security and prosperity of Americans here at home.

It is in our national interest to make sure our agencies effectively leverage U.S. foreign assistance programs to deliver change abroad and results for taxpayers and businesses at home. The system could unquestionably benefit from thoughtful reform and reorganization. But in pursuing reforms, we must both keep in mind past missteps and not forge blindly ahead in the absence of a National Diplomacy and Development Strategy that identifies and prioritizes interests, threats, and opportunities, and guides reform efforts and the allocation of resources.

The developing world has changed unimaginably in the past 70 years: many countries are wealthier, freer, and more able to provide for their citizens. Foreign assistance still plays a vital role, but to maximize its benefits, U.S. foreign assistance must better serve as a catalyst and connector to many other forces of good like private philanthropy, foreign direct investment, and remittances. Though they are not substitutes for U.S. foreign assistance, these forces play an increasingly important role and we must work far more closely with them.
Global leadership will mean leveraging American ingenuity—from our private sector, universities, and people—and channeling our capacity for innovation to solve seemingly intractable problems. We will succeed by tapping into the entrepreneurial spirit of America and by utilizing all the tools of our national power, including development.

Indeed, development assistance is just as critical a tool in our arsenal as defense and diplomacy. Development assistance agencies must work closely with their defense and diplomacy partners to prevent conflict, consolidate gains after conflict, and achieve a common purpose. Development assistance must reflect the new global development environment, while promoting our national security interests and furthering universal humanitarian rights and principles.

No one in Congress or in the development profession can credibly claim that the current U.S. assistance architecture is perfect. Today, there are over 20 federal agencies engaged in assistance overseas; a system cobbled together by amendments and revisions to the outdated Foreign Assistance Act (FAA) of 1961. This government-wide assistance network is needlessly complicated at best, inefficient and wasteful at worst. Frankly, we have too many agencies doing this work, and this has decreased the overall coherence of our foreign policy.

In convening this Task Force on Reforming and Reorganizing U.S. Foreign Assistance, the Center for Strategic and International Studies (CSIS) brought together a bipartisan coalition of former Republican and Democratic officials, as well as retired senior Foreign Service Officers and civil servants. These distinguished experts have worked in the U.S. Congress, U.S. Agency for International Development (USAID), Department of Treasury, Millennium Challenge Corporation (MCC), Overseas Private Investment Corporation (OPIC), National Security Council, Department of Defense, and Department of State. We, along with CSIS, asked this group of more than 30 leaders to think boldly about the strategic direction of U.S. foreign assistance and to propose principles and ideas to guide any effort to reform and reorganize the agencies tasked with implementing U.S. foreign assistance programs. The task force considered not just the structure required to achieve responsible savings and efficiencies, but the metrics and performance-based approaches that will ensure the United States continues to play a leading role in the developing world.

The task force report represents a collective long view of what has worked, what has not worked, and how we can succeed. It will not answer every question and additional analysis will be required. Some will find points to disagree with in this report, but we believe it represents a serious, bipartisan, and substantive contribution—worthy of serious consideration.

This report presents a strong bipartisan agenda for assistance reform, reflecting the realities and challenges in developing countries that can—and should—increasingly coinvest resources in their own economic growth and stability. It argues for greater cohesion among agencies and presents thoughtful and actionable recommendations that, if implemented, would address the Trump administration’s calls for improved efficiency, effectiveness, and accountability.
On issues that directly impact our security, prosperity, and continued global leadership, Congress stands ready to advance a constructive agenda with the Trump administration. Our sincere hope is that our colleagues in Congress and in the administration carefully consider the recommendations presented here and ultimately rally behind this vision for continued U.S. leadership and greatness.

*Senator Jeanne Shaheen (D-NH) and Senator Todd Young (R-IN)*
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Executive Summary

CSIS convened a bipartisan Task Force on Reforming and Reorganizing U.S. Foreign Assistance in response to the March 1, 2017, executive order asking all federal departments and agencies to submit reorganization plans that will “improve efficiency, effectiveness, and accountability” and to the president’s FY2018 budget request. The Trump administration is right to question whether the current foreign assistance system is optimized to meet the challenges of the 21st century. Although many Americans believe that foreign assistance makes up 25 percent or more the federal budget, it is no more than 1 percent. However small a percentage, it is important to note that these funds do not represent pure altruism; they are smart investments that contribute to the national security and prosperity of the United States.

Though it intends to align priorities, strategy, budget, and workforce, the Trump administration’s first budget proposal includes significant cuts to foreign assistance funding and runs the risk of having budgeted amounts—rather than U.S. national interests—drive creation of strategy and organization. This would produce suboptimal outcomes, particularly if the U.S. Agency for International Development (USAID) were to be subsumed into the Department of State as some have suggested. It is not in the national interest to remove the development leg from the U.S. national security stool.

No one, however, would argue that the U.S. development system is not in need of reform. There is no lack of ideas on how to reform foreign assistance, but thus far there has been a lack of political will to follow through on the tough choices needed to enact genuine reform and reorganization. Nevertheless, lessons learned from past exercises in restructuring USAID strongly suggest the need to fix it without breaking it. The Trump administration, in partnership with Congress, has an opportunity for bold reform—meaningful change that has eluded previous administrations—that recognizes the benefits of foreign assistance to the United States and our partner countries, aligns structure with goals, and ultimately leaves a lasting positive legacy at home and abroad.

The world 10 or 15 years from now will look substantially different than it does today. Private-sector-led trade and investment already far exceeds official foreign assistance. The future lies in paving the way for businesses to be more involved in the developing world, benefiting both the developing country and American companies that take advantage of new markets for products and services and create jobs at home to meet the new demand. To best meet the challenges of this changing world, foreign assistance is still vital. There are important roles that private-sector finance, remittances, philanthropy, and developing country governments may never take on, including addressing transnational threats, pandemic disease containment, and rule-of-law reform. The Trump administration should view our

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changing world as presenting opportunities to bring new countries into the rules-based international order, to strengthen friendships and partnerships, to counter threats to our security, to promote peace and stability, and to create new markets for U.S. goods and services.

The Department of State and USAID have been on the front lines in conflict and post-conflict settings over the last 20 years; over this time development and diplomacy have become linked—or even synonymous—in the minds of many policymakers. The result has been a proliferation of programmatic responsibilities for the State Department, responsibilities that have progressively pulled its personnel away from doing the things at which they excel: formulation and execution of U.S. foreign policy, state-to-state relations, alliance building, containment of global security threats, and international crisis management. Given this reality, and the long-term nature of these types of assistance programming, a strengthened USAID is a more suitable agency to lead these efforts. Development and diplomacy, though complementary and powerful when working together effectively, are two different disciplines with their own unique skills, cultures, and approaches.

Ultimately, putting American interests first means leading abroad. Any mission for U.S. foreign assistance should support the broader national security strategy to ensure that it maximizes its foreign policy impact and puts American interests first. The best, most effective foreign assistance has always been driven by a combination of enlightened self-interest and a desire to effect positive change in the world. The Trump administration is well-positioned to achieve these goals while increasing efficiency, effectiveness, and accountability. This task force hopes that the administration utilizes and benefits from this report—which offers context and recommendations on all three reform areas—in the preparation of its strategy.

To effectively reorganize and reform U.S. foreign assistance, the task force recommends the following (see Chapter 5 for more detail):

Recommendation 1: Maintain USAID as an independent agency overseeing federal foreign assistance efforts, develop a clearly articulated development strategy, and assign the USAID administrator as coordinator of foreign assistance.

1.1: Maintain USAID as an independent agency reporting to the secretary of state and designate the USAID administrator as the coordinator of foreign assistance.

1.2: The USAID administrator, in conjunction with other stakeholders including State and DoD, should lead the development of a clearly articulated U.S. development strategy that complements and supplements the U.S. National Security Strategy.

1.3: New foreign assistance initiatives should be overseen or implemented by USAID, absent a compelling case otherwise.
1.4: Transfer the F Bureau\(^2\) from the State Department to USAID to support the USAID administrator in fulfilling his/her coordinator functions.

Recommendation 2: Address duplication of effort and generate budget savings while maintaining functional coherence when appropriate.

2.1: Address duplication of efforts across the various agencies and departments engaged in foreign assistance by identifying programmatic functions that should shift to USAID.

2.2: Generate budget savings by ending programs or missions, as agreed to by all relevant agencies, that are no longer central to a U.S. foreign assistance strategy.

2.3: Maintain the Development Assistance (DA) account as a separate account from the Economic Support Fund (ESF).

Recommendation 3: Modernize the personnel system, make the procurement system more efficient, and streamline reporting.

3.1: Reform the personnel system.

3.2: Reform the procurement system to clarify and strengthen the decisionmaking process.

3.3: Streamline reporting requirements to Congress and tie funds to country strategies.

\(^2\) The Office of U.S. Foreign Assistance Resources at the State Department is commonly known as the "F Bureau."
CSIS convened a bipartisan Task Force on Reforming and Reorganizing U.S. Foreign Assistance in response to the March 1, 2017, executive order asking all federal departments and agencies to submit reorganization plans that will "improve efficiency, effectiveness, and accountability," and to the president's FY2018 budget request. The Trump administration is right to question whether U.S. foreign assistance is optimized to meet the challenges of the 21st century. Its documented skepticism is, in part, a function of the development community not adequately communicating its vital role in supporting U.S. national interests as part of the 3Ds: defense, diplomacy, and development. As such, the task force welcomed the executive order as an opportunity to provide useful context and actionable recommendations for the Trump administration and Congress.

Discussions of reform and reorganization of U.S. foreign assistance are nothing new. Understanding this history and the demands of the current administration, this task force believes that reform efforts will be most successful and effective when grounded in the specific role foreign assistance, as a tool, plays in supporting the national interests of the United States. At the same time, it is important that efforts to improve the efficiency and effectiveness of the U.S. development ecosystem do not weaken the country's ability to exercise global leadership; such U.S. leadership is now more vital than ever and, if not maintained, those roles will be filled by other emerging actors like China. There is no lack of ideas on how to reform foreign assistance, but thus far there has been a lack of political will to follow through on the tough choices needed to enact genuine reform and reorganization. The past two presidents made significant reforms to U.S. foreign assistance, though in some regards they did not make the truly tough choices regarding the reorganization of foreign assistance. Rather than pursue systemic change, both chose workarounds in the creation of new institutions, initiatives, and approaches that ultimately added to the existing incoherence. The Trump administration, in partnership with Congress, has an opportunity for bold reform that recognizes the benefits of foreign assistance to the United States and our

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2 "Development" is not the same as "assistance." The term development denotes domestically driven economic and social progress encompassing economic growth, political freedom, improvements in health, literacy, education, and other quality-of-life measures. Each society is responsible for its own development, more or less by definition. Foreign or development assistance, on the other hand, describes a facet of American foreign policy and that of other wealthier countries. Some U.S. government assistance provides humanitarian relief in the face of short-term crises. Longer-term "development assistance" often takes many years to affect systemic problems, if it can do so at all. This report acknowledges that foreign "assistance" is not the same as "development"; however, for simplicity's sake and to avoid reader confusion, the term "foreign assistance" is used throughout to describe both.
partner countries, aligns structure with goals, and ultimately leaves a lasting positive legacy at home and abroad.

The CSIS Task Force gathered former senior-level career State Department and U.S. Agency for International Development (USAID) policymakers, as well as former political appointees from the past three administrations. This report represents a consensus view of these individuals and draws on much of the recent work on how to reorganize and reform U.S. foreign assistance. This task force started with the basic idea that any reform and reorganization should be comprehensive and systemic, otherwise it will simply add to the existing bureaucracy. Based on its discussions, the task force recommends that the following principles should guide any reform:

- Development must remain an effective instrument of U.S. national security and foreign policy as part of the 3Ds, integrated coherently with military and diplomatic engagement.
- Development is a distinct discipline that requires distinct skills and approaches; maintaining a skilled and experienced professional staff of development experts is essential.
- Foreign assistance should be allocated to further U.S. capacity to mitigate threats, respond to humanitarian needs, and advance peace, security, and economic cooperation with friendly countries.
- Organizational efficiencies can be achieved by establishing clear responsibilities and division of labor between functions and offices in the State Department, in USAID, and in other development agencies, thereby eliminating unnecessary duplication.
- The United States should be systematic and selective in choosing the countries where our assistance will best serve the national interest.
Background

The United States remains the largest provider of foreign assistance in the world. In the last 70 years alone, U.S. foreign assistance has helped to rebuild Europe and launch the economic successes of the East Asian tigers. It sparked the Green Revolution that brought modern agriculture to Asia, has developed new trading partners, fostered democracy, good governance, and free markets, reduced poverty, saved lives after the 2004 tsunami, helped countries respond to the Ebola pandemic, reduced malaria deaths by half, and slowed the spread of HIV/AIDS. These are just a few tangible results from the United States’ 70-year commitment to foreign assistance. Although many Americans believe that the U.S. government spends up to 25 percent or more of the federal budget on foreign assistance, in reality it is no more than 1 percent. However small a percentage, it is important to note that these funds do not represent pure altruism; they are smart investments that contribute to the national security and prosperity of the United States. Recognizing this, two successive presidential administrations have consciously elevated the practice of development to the same level as diplomacy and defense in the national security toolbox since the terror attacks of September 11, 2001.

For reasons explained in this report, it would not be in the national interest to remove the development leg from the U.S. national security stool.

No one, however, would argue that the U.S. development system is not in need of reform. In many ways, our people, time, money, and systems are designed for the last war in development, not the world of today and the challenges of tomorrow. Since the Foreign Assistance Act (FAA) of 1961 sought to consolidate several different assistance programs into one agency, the system has grown fractured and complex. There are now at least 20 agencies and departments that have some form of a foreign assistance program; most of these are relatively small, but the largest ones include: Department of State, U.S. Agency for International Development, Department of Defense, Millennium Challenge Corporation (MCC), Overseas Private Investment Corporation (OPIC), and Department of Agriculture. Moreover, the original FAA is now a web of congressional reporting requirements with multiple and competing policy priorities and objectives, the budget is heavily directed by what are known as “congressional budgetary line items” (often incorrectly referred to as “earmarks”) thus reducing flexibility, and the procurement and acquisition process focuses on delivering accountability to Congress, often at the expense of other goals such as efficiency or effectiveness. All of this contributes to a system that lacks agility, flexibility, coordination,
and coherence, and reduces the impact U.S. support for development can have alongside defense and diplomacy.

In addition to its executive order, the Trump administration has put forth its first budget blueprint that includes substantial reductions to foreign assistance funding. Though it intends to align priorities, strategy, budget, and workforce (a welcome outcome), this budget proposal runs the risk of having budgeted amounts—not national interests—drive creation of strategy and organization. This would produce suboptimal outcomes, particularly if USAID were to be subsumed into the Department of State as some have suggested. Since September 11, as the Department of State and USAID have spent more time working in conflict and post-conflict settings, development and diplomacy have been further linked in the minds of many policymakers. The result has been a proliferation of programmatic responsibilities for the State Department, especially on democracy, governance, rule of law, and fragile states. Program implementation responsibilities have progressively pulled State Department personnel away from their main missions. Given this reality and the long-term nature of these types of assistance programming, USAID is a more suitable agency to lead in these areas. Development and diplomacy, though complementary, are two different disciplines with their own unique skills, cultures, and approaches.

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Why Foreign Assistance Matters

The mission: Putting American interests first means leading abroad.

Any mission for U.S. foreign assistance should support the broader national security strategy to ensure that it maximizes its foreign policy impact and puts American interests first. Foreign assistance has always been driven by a combination of enlightened self-interest and a desire to effect positive change in the world. The Trump administration is currently preparing its first national security strategy, a part of which should be to outline its vision for the role of U.S. foreign assistance. This task force hopes that the administration benefits from this report in the preparation of that document. Historically, the U.S. government and others have cited three main rationales to justify foreign assistance:

1. National security;
2. Economic and commercial interests; and
3. Our values (including democracy, human rights, and humanitarian assistance).

In the consensus view of the task force, the mission of U.S. foreign assistance is to advance U.S. interests by promoting national security, economic opportunities, and responding to humanitarian crises. In a 21st-century world where the United States faces disparate threats that are exacerbated by weak institutions, lack of economic opportunity, and lack of human development, foreign assistance resources that address these issues are critical. Military responses alone are not sufficient to tackle these challenges, as recognized by the U.S. military on many occasions. Secretary of Defense James Mattis famously stated that "if you don’t fully fund the State Department, then I need to buy more ammunition." Fighting a never-ending, multifront war is far costlier—in lives and in treasure—than making smart, preventative investments in diplomacy and development.

These roles for foreign assistance support the political platform and policies articulated by President Trump and support his vision of a strong America at home and abroad. As part of this vision, U.S. development efforts—especially USAID as the lead U.S. development agency—should focus on the three major goals below. Each goal contains areas of specific competitive advantage of USAID and other U.S. development agencies, which can be further elaborated based upon the priorities of political leadership.

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1. **Prevent conflict and respond to humanitarian disasters.** Minimize the need to put our troops in harm’s way by strengthening USAID’s capabilities to prevent deadly conflict and the spread of violent extremism. USAID has deep and analytical capabilities to assess the drivers of violence that undermines security and fosters extremism. It deploys experts to advise nations on long-term development and on short-term stability, especially in environments that enable violent extremist groups, including ISIS, to take root. USAID also has expertise and programs that sustain military victories, including stability operations (e.g., resilience building in man-made and natural disasters). USAID’s capabilities include: utilizing metrics to track conflict prevention; strengthening rule of law in countries to prevent conflict; building capacity of communities to support security efforts that combat radicalization; improving joint planning between the 3Ds in theater; supporting youth social, economic, and political inclusion to combat radicalization and prevent instability; enhancing women’s roles and standing as key drivers for peace and stability, economic growth, anticorruption, and prosperity; supporting peaceful political transitions in fragile states; responding to humanitarian disasters to maintain moral leadership abroad and lessen the likelihood they create failed states; and increasing access to education.

2. **Forge new international economic relationships to create American jobs and create markets for American goods.** USAID and other U.S. development agencies can: improve trade access for American companies; make countries trade-ready to better link to U.S. value chains; advance workforce readiness for the 1.8 billion youth who could potentially consume U.S. goods; favorably compete with China to expand American business into the global marketplace, especially with regards to new approaches to risk tolerance and risk management; build strong local institutions that will take responsibility for their own development thus allowing the United States to “work itself out of a job”; deepen the utilization of local resources—including “domestic resource mobilization”\(^8\)—so that countries can pay for their own development and take control of their own development destiny and strengthen partnerships with U.S. chambers of commerce and other stakeholders.

3. **Make our borders secure and America safe.** Stem forced migration through addressing man-made and natural causes of disasters; improve trans-border pandemic management; proactively tackle root causes of radicalization and violence-related forced migration. Sometimes homeland security means dealing with threats far beyond our borders before they show up at our doorstep.

**Why foreign assistance? Because it works for them and for us.**

The Trump administration’s FY2018 budget blueprint and initial thoughts on U.S. foreign assistance is a long-held perception that foreign assistance does not achieve measurable

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\(^8\) Domestic resource mobilization (DRM) is commonly defined as “the mix of financial resources available to a government to fund its operations, including direct and indirect taxes, other revenue, and borrowing from local capital markets.” For more details, see Daniel F. Runde and Conor M. Savoy, “The Promise and Limits of Domestic Resource Mobilization,” CSIS, September 2016, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/160916_Runde_PromiseLimitsDRM.pdf.
results. Foreign assistance priorities in the Cold War were driven by short-term foreign policy considerations and not by what would yield the biggest development impact. The goal was to stop the spread of communism quickly and at all costs, whether initiatives were in the best interest of the country or in the long-term strategic U.S. interest. Thus, it is no surprise that some of these efforts were perceived as simply throwing “money down foreign rat holes,” a phrase Senator Robert Taft (R-OH) infamously coined during congressional debates on whether to provide assistance to Greece and Turkey in 1947. In 1995 the Heritage Foundation claimed “not only has U.S. development aid been wasted, it has actually retarded economic development in the countries that receive it. Not one country receiving foreign aid has succeeded in developing sustained growth.” Though its assertions were false and assessments not backed by the evidence, this report provided fodder for those looking for reasons to be opposed to foreign assistance. Nevertheless, it is valid and productive for any administration to demand results from U.S. taxpayer-funded pursuits; this task force sees this as an opportunity to provide concrete examples of how U.S. foreign assistance works for those on the receiving end as well as for U.S. interests abroad and at home.

U.S. foreign assistance has achieved many positive results since 1948. At a macro-level, U.S. foreign assistance helped to transform South Korea, Taiwan, Singapore, and the other “Asian Tigers.” Foreign assistance was instrumental in launching the Green Revolution in the 1960s and 1970s; it supported vaccinations that have helped to increase the child vaccination rate to 70 percent worldwide (up from 5 percent in 1978); and it helped to put the communist command-led societies of Central Europe on the path toward becoming thriving free-market, democratic countries. In more recent years, U.S. foreign assistance has achieved results that directly support the national interest. Many of these achievements required time to succeed; in other words, success in development is almost never realized overnight and requires longer-term vision and support.

1. **Ebola crisis.** When Ebola struck three West African countries (Liberia, Sierra Leone, and Guinea) in 2014, the United States moved quickly to help these countries respond. With USAID in the lead, the U.S. government provided critical assistance and support to help contain the outbreak, treat patients, and get countries moving again after they ground to a halt. Its efforts to build capacity near the origin—and indeed in many places that could be the origin of the next pandemic—also means that the threat will stay far from U.S. shores.

2. **Humanitarian response.** Between the humanitarian assistance capabilities of USAID and the ability of the U.S. military to respond globally, the United States is the leading country in responding to humanitarian crises. This includes the 2004 Indian Ocean Tsunami, Hurricane Haiyan in 2014, the Pakistan earthquake of 2005, the Haiti earthquake of 2010, and others. In these instances, America’s unique capabilities and response helped save lives and rebuild areas devastated by disasters. This paid dividends: in Aceh, Indonesia, prior to the 2004 Tsunami, Osama bin Laden was more popular than the United States. Following our response, this perception flipped and

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Indonesians realized it had been the United States that responded to their time of need—not a terrorist on the run.\footnote{Sheldon W. Simon, “Aid Burnishes U.S. Image but Other Concerns Persist,” \textit{Comparative Connections} 7 issue 1 (January–March 2005), http://cc.csis.org/2005/04/aid-burnishes-u-s-image-concerns-persist/}  

3. \textit{Famine early warning}. Established in the 1980s in response to the Ethiopian famine of 1984–85 that took over 1 million lives, U.S. foreign assistance has helped ensure that something as horrific as that famine has not happened at the same level since. The Famine Early Warning System Network (FEWS-NET)—funded by USAID—uses an integrated approach including climate data, agricultural production numbers, food price information, trade, nutrition, and other factors to anticipate food insecurity 6 to 12 months in advance. Before the advent of FEWS-NET, countries and aid agencies had great difficulty planning for food insecurity scenarios or famine. This allows host nations and donors to better understand and predict food insecurity before it becomes dire and prepare for the shocks—including mass forced migration to the United States and other western countries—should they happen. FEWS-NET has saved billions of dollars and millions of lives over the course of its existence.

4. \textit{Development credit}. The innovative USAID Development Credit Authority (DCA) has leveraged over $3.7 billion in private capital and helped spearhead the provision of loan guarantees and direct loans within difficult-to-finance sectors. DCA earns returns for investors and uses U.S. development capabilities to leverage the private sector.

5. \textit{Revolutionizing public-private partnerships}. Through the Global Development Alliance (GDA), USAID pioneered the use of public-private partnerships for the past 15 years, mobilizing billions of dollars and tapping into a deep public and private-sector knowledge and skill base, thus allowing it to develop more efficient and cost-effective approaches to development challenges. GDA was one of first federal initiatives to develop and implement multisector partnerships at a major scale. The GDA initiative has leveraged more than $6 billion in over 600 alliances with 1,700 unique partners from private-sector, nongovernmental organization (NGO), and philanthropic sectors. This was the result of only $2.1 billion in public investment. The GDA initiative has since been replicated across other government agencies and around the world.\footnote{For additional information on public-private partnerships beyond the GDA, see Daniel Runde, with Anna Saito Carson and Eleanor Coates, \textit{Seizing the Opportunity in Public-Private Partnerships: Strengthening Capacity at the State Department, USAID, and MCC} (Washington, DC: CSIS, October 2011), https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/111102_Runde_PublicPrivatePartnerships_Web.pdf.}

These are only a few examples of how U.S. innovation, entrepreneurship, and leadership are effecting change abroad—and continuing to infuse innovation via initiatives like USAID’s Global Development Lab\footnote{U.S. Agency for International Development (USAID), “U.S. Global Development Lab,” https://www.usaid.gov/GlobalDevLab.} and via investment in the Global Innovation Fund\footnote{Global Innovation Fund, “Transforming Ideas into Impact,” http://www.globalinnovation.fund/}—while bolstering U.S. national security and economic interests. In addition to these important achievements, U.S. support helped position recipient positions of assistance to later become aid...
donors in their own right, thus lessening the burden of international development felt by the United States. This includes countries such as Japan, South Korea, India, and South Africa. We are stronger as a nation when we act in partnership with our allies and hold them accountable to their obligations; our investments achieve more when we bring new partners into the rules-based international order and away from rival schemes like that offered by China.

These successes are well known within the development community, but less known outside of it. This highlights a broader problem: development assistance practitioners do not communicate their successes (or shortcomings) well, thus contributing to the broader perception that foreign assistance does not work. By relying upon complicated, technical language that is frequently difficult to interpret, USAID and other donors cede ground to critics of foreign assistance who have developed a sharper, more easily digestible message. USAID and other U.S. development agencies would do well to consider how they can communicate better the utility of assistance and its relevance to the U.S. national interest.

There is also a need to better explain the effectiveness of aid. The FY2018 budget blueprint proposes several changes that indicate a belief that certain accounts are more effective than others in achieving results. For example, the budget proposes combining the Economic Support Fund (ESF) with Development Assistance (DA) in a new Economic and Development Support Fund (EDSF). The new fund would then be run similarly to ESF reportedly based on a perception that ESF is a more effective vehicle for assistance than DA. The original law (FAA Chapter 4 Section 531) authorizes the precursor to ESF (the Security Supporting Assistance account that became ESF in 1978) “to promote economic or political stability” and “to the maximum extent feasible . . . consistent with the policy, directions, purposes, and programs of Part I (development assistance).”

ESF focuses on aiding countries of strategic importance to the United States (i.e., Jordan, Egypt, and Pakistan), operates on short-term timelines, and is directed by the State Department (though frequently implemented by USAID). In contrast, DA is “designed to foster sustainable broad-based economic progress and social stability in developing countries.” Most DA is administered and implemented by USAID. Studies suggest that assistance with a narrow strategic focus—as is the case with ESF—are harder to scale to larger and longer-term development results. Given its focus is on moving money quickly toward short-term, easily measurable outcomes, ESF does not operate on a time horizon that is commensurate with effective development outcomes as is suggested by its title. It is in

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17 Ibid.
the interest of the U.S. government to maintain both programs and deploy them as appropriate.

What is the state of the current U.S. foreign assistance system? It’s complicated.

Under the FY2017 continuing resolution, the United States is on pace to spend $41 billion on foreign assistance. This is roughly in line with the past several fiscal years with the United States spending between $30 billion and $46 billion per year, depending on calculations of ODA versus other measures of foreign assistance.¹⁹

These funds are spread across multiple broad accounts, as shown in the chart below.

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¹⁹ The chart contains figures from the USAID Foreign Aid Explorer website in current dollar values by obligation from 2001 to 2015. The 2016 and 2017 planned dollar amounts are from foreignassistance.gov. The years do not separate by ODA or by agency; rather they present total economic vs. security-sector engagement as presented on each website to demonstrate the totality of U.S. foreign assistance. It is not meant to capture the Organization for Economic Cooperation and Development (OECD) measures of ODA for the United States, as OECD definitions require certain concessional and grant elements that exclude agencies this report includes. Thus, the OECD ODA statistics present different numbers than what is presented on official U.S. government websites for economic assistance. The figures from the Foreign Aid Explorer include more aid agencies and sectors; these are used in this analysis.
Much of U.S. foreign assistance is programmed through the State Department and USAID, which together account for approximately 60 percent of the Foreign Operations Budget. USAID is the largest single development agency and is responsible for implementing all Development Assistance, International Disaster Assistance, Transition Initiatives, and a portion of the Global Health account. The State Department and USAID “comanage” the Economic Support Fund (ESF), Assistance for Europe, Eurasia, and Central Asia (AEECA), and the Democracy Fund program. According to USAID, it is responsible for implementing 90 percent of ESF programs, 70 percent of AEECA, and 40 percent of Democracy Fund programs; in addition, it implements 60 percent of President’s Emergency Fund for AIDS Relief (PEPFAR) funds appropriated to the State Department, and all funds appropriated to the Department of Agriculture through the Food for Peace (FFP) program.\(^2\)

This proliferation of institutions is a result of several factors, including a perceived weakness in how USAID approached certain issues and a belief that it was inefficient in the programs it did manage. In response, the Bush administration, for example, chose to create new institutions (e.g., MCC)\(^2\) or gave other agencies oversight of new assistance programs (e.g., State Department with PEPFAR).\(^2\)

The non-USAID foreign assistance proliferation phenomenon is not limited to USAID, MCC, and the State Department. In Iraq and Afghanistan, the Department of Defense assumed a

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\(^2\) Created under the Millennium Challenge Act of 2004, the Millennium Challenge Corporation is an independent development agency that pursues large-dollar, multiyear “compacts” with countries that pass a series of governance, economic, and other indicators.

\(^2\) Since its inception in 2003, the President’s Emergency Plan for AIDS Relief (PEPFAR) has been coordinated out of the Office of the Global AIDS Coordinator (OGAC) at the State Department. OGAC is charged with planning, managing, and evaluating PEPFAR with seven federal agencies: Health and Human Services (including the Center for Disease Control and Prevention), State Department, USAID, DoD, Peace Corps, Department of Labor, and Treasury.
much larger role in foreign assistance than it had in the past, partly due to frustration with USAID and the State Department’s limited ability to deploy staff and to manage reconstruction programs. DoD has long been responsible for implementing security assistance programs such as Foreign Military Financing (FMF) and International Military Education and Training (IMET), but 15 years of war produced a proliferation of nonmilitary assistance programs that were once the purview of the development agencies. This included the Commander’s Emergency Response Program (CERP), the Iraq Relief and Reconstruction Fund, and the Afghanistan Infrastructure Fund. These were all funded through DoD’s budget.23

The Trump administration’s goals of effectiveness and efficiency are inversely related in long-term development programming. Large pipelines of unspent money in assistance programs do not necessarily mean they have more than enough funding or that they are inefficient. To get support and achieve local ownership, USAID must negotiate with government ministries, the private sector, and civil society groups or the programs will fail. Large infrastructure projects, for example, require life-of-project—not incremental—funding.24 Sometimes large pipelines reflect civil conflict interfering with assistance projects. The most disastrous mistake made during the Bush and Obama administrations was using the so-called “burn rate” to determine how efficiently and effectively reconstruction money was spent in Afghanistan and Iraq.25

Ultimately, any credible reform effort—especially those arguing for a more robust role for USAID in the foreign assistance system—must recognize and address the underlying perception that USAID does not “coordinate well” in the interagency and chooses to operate in a world separate from the broader U.S. national security apparatus. For true reform to have long-lasting positive impact, USAID must rise to the task and address valid concerns from the Department of State and others over its capacity, direction, and important role in the broader U.S. national security picture. It also must clearly and honestly articulate what current development assistance tools can and cannot do, responding to unrealistic expectations and embracing the need for political and diplomatic engagement in the foreign assistance conversation. USAID must be seen as eager to cooperate and ready to assist in dealing with emerging threats and shifting priorities.

Key lessons from history: Fix it, don’t break it.

This task force is not the first to bring up this complicated U.S. foreign assistance system. Indeed, reorganization of these functions has been proposed before and the U.S. government has debated how to organize its foreign assistance since the Truman administration launched the Marshall Plan in 1948. This report does not seek to provide a

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A comprehensive overview of past reform and reorganization efforts, but there are two key lessons from history worth highlighting. Both are relevant to the current reorganization discussion and both address the need for the United States to have the capacity to respond to unforeseen future crises.

First, the mid-1990s were the last time an administration dealt with reorganization coupled with a large-scale reduction in overall U.S. assistance spending. The end of the Cold War and a desire for a “peace dividend” triggered a plan to combine several independent foreign policy agencies (U.S. Information Agency, or USIA; Arms Control and Disarmament Agency, or ACDA; and USAID) into the State Department. USAID remained independent, but USIA and ACDA were both rolled into the State Department. The USIA merger was particularly damaging as it severely weakened U.S. public diplomacy efforts. This mattered just a few years later when the United States found itself in a war of ideas after September 11, 2001.

Second, lowered foreign assistance spending and significant funding allocated to the failed implementation of a New Management System ultimately triggered a “reduction in force” (RIF) for USAID that crippled the agency’s technical and leadership capacity. Not only did this eliminate critical technical understanding, the cuts in leadership hobbled USAID’s ability to field the next generation of foreign service officers. By September 11, 2001, USAID had under 1,000 FSOs, too few to be an effective partner to defense and diplomacy in Afghanistan and later in Iraq. Partly due to a lack of well-trained personnel, USAID quickly acquired a reputation for ineffectiveness that frustrated military partners. Recognizing the need to rebuild USAID’s capacity, the Bush administration launched several initiatives to hire and train a new generation of staff, which the Obama administration later continued and strengthened. Nevertheless, it has taken over 10 years to rebuild after the RIF.

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27 A 1997 report noted that “USAID’s New Management System, one of the agency’s key tools in reforming its operations, is not working as intended” and that it would ultimately end in failure despite a $100 million investment of very limited operating expense funds. U.S. General Accounting Office (GAO), Foreign Assistance: USAID’s Reengineering at Overseas Missions (Washington, DC: GAO, September 1997), http://www.gao.gov/assets/230/224616.pdf.
Our World Today

The United States must reform how it engages with developing countries, because the system has not kept up with the pace of change in these countries. The Trump administration should view the changed world as an opportunity to bring new countries into the rules-based international order, to strengthen friendships and partnerships, to gain advantage over adversaries, to promote peace and stability, and to create new markets for U.S. goods.28

There is a tendency to view developing countries through a prism that is more appropriate to 25 or 30 years ago: the reality is that developing countries are richer, freer, and have far more agency than they did in the 1980s or 1990s, or even the early 2000s. Problems remain: fragile, failing, and conflict states have not experienced the growth and improvements that other developing countries have enjoyed. Many lower- and middle-income countries are on a path toward success while other fragile and failing states are falling further behind. Still others are stable while stuck in a low- or middle-income trap. Different countries require tailored foreign assistance based on their status on the development spectrum, both for their benefit and for that of the United States, and the role of government-sponsored assistance—and its comparative strength or weakness versus other forms of private assistance and investment—must be understood. Understanding the bifurcation of the developing world and tailoring American soft power to the prosperous middle, failing bottom, and places in between is important for the United States to maximize its influence, facilitate stability, create opportunities, and manage risks.29

Countries that are succeeding will need less assistance directed toward basic human needs and greater focus on transitioning to the sorts of trade and cooperation relationships that the United States has with South Korea or Chile, that is, foreign assistance “graduates.”30 In practice, this will mean more attention on governance and rule-of-law programs, improving the enabling environment for investment and private-sector-led growth, improving local

systems to deliver social services, and trade capacity building. There will be setbacks along the way—some of these countries will face conflict situations or pockets of extreme poverty that may still require traditional foreign assistance—but the focus should be on transition away from meeting basic human needs that should be increasingly the responsibility of the country itself.

The world 10 or 15 years from now will look substantially different than it does today, and certainly different than it did 10 or 15 years ago. A series of middle-income countries will graduate from receiving foreign assistance to a relationship based on trade and investment. Continued population growth and the “youth bulge”\(^\text{31}\) will exacerbate food and water shortage concerns, lead to higher unemployment and instability, and shift more and more people into urban settings. Developing countries will increasingly have the ability to mobilize domestic resources to meet the basic needs of their citizens. \(^\text{32}\) At the same time, fragile and failing states will continue to be a source of instability, and could serve as exporters for many of the transnational threats that the United States and its allies will face in the coming years. These countries will require more money and attention for issues that directly or indirectly impact U.S. national security, including:

- Forced migration from Central America, West and East Africa, and other regions where citizens leave because of economic destitution, security, or overt political repression.

- Pandemics such as the Ebola crisis in West Africa, Zika in Latin America, or others that recently spread and took root in developing countries.

- Terrorism that thrives in ungoverned spaces and takes advantage of instability and lack of economic opportunities, such as Taliban-era Afghanistan.

- Chronically politically dysfunctional societies, such as Haiti, unable to address grinding poverty and vulnerability to natural disasters like hurricanes, earthquakes, and floods. If a country like Haiti completely collapses, countless Haitians will get on boats and leave for Florida as they did in the early 1990s.

- Transnational crime, including drug and human trafficking, also thrives in fragile and failing states. This was the primary reason that 70,000 children from Guatemala, Honduras, and El Salvador fled to the United States in 2014, which then spurred a major assistance and security initiative for Central America.\(^\text{33}\)

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\(^{31}\) Senator Shaheen, a cochair of this task force, also participated recently in the CSIS Task Force on Women’s and Family Health (http://vision2017.csis.org/), which showed that the “adolescent and young adult population in low-income countries is at a historic high and will continue to rise in the coming years,” a demographic phenomenon that is a central component of the “youth bulge.”


\(^{33}\) CSIS produced a report in 2016 suggesting steps to improve prosperity and reduce migration flows from the Northern Triangle: Christina Perkins, with Erin Nealer, Achieving Growth and Security in the Northern Triangle of
It is important to note that foreign assistance is no longer the predominant source of international financial flows for most developing countries. In the 1960s, foreign assistance represented 70 percent of all financial flows to developing countries; today, that number is just 13 percent.\textsuperscript{34} In the U.S. context, foreign assistance represents an even smaller share of all financial flows at only 9 percent.\textsuperscript{35} The remainder is private: foreign direct investment, philanthropy, and remittances. Collectively, these other sources of finance now represent more than 10 times all foreign assistance.\textsuperscript{36}

![U.S. Economic Engagement with Developing Countries, 2014](image_url)


In addition, there are now significant sources of domestic resources available in many developing countries: taxes and other government revenues in developing and emerging

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\textsuperscript{36} Ibid.
economies totaled $7.7 trillion in 2012, more than 60 times net foreign assistance for the same year. Even in sub-Saharan Africa, domestic revenues were nearly 10 times larger than foreign assistance.

### Financing for Development in 2002 and 2011 (US$ billions)

<table>
<thead>
<tr>
<th>Source</th>
<th>2002</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Domestic Revenues</td>
<td>1,484</td>
<td>5,523</td>
</tr>
<tr>
<td>Private Domestic Finance</td>
<td>725</td>
<td>3,734</td>
</tr>
<tr>
<td>Public International Finance</td>
<td>75</td>
<td>161</td>
</tr>
<tr>
<td>Private International Finance</td>
<td>320</td>
<td>1,289</td>
</tr>
</tbody>
</table>


The private sector plays a much larger role in international development than it did 15 or 20 years ago. This is certainly true of foreign direct investment (as noted, it is now measured in multiples of all foreign assistance), but this remains sector- and country-specific, with many countries still struggling to attract the investment they need to grow. Private-sector money also flows through large philanthropies (e.g., Bill & Melinda Gates Foundation), faith-based organizations, remittances, and other private giving. Companies that work in developing countries are valuable sources of training for local workers, supply chain localization efforts contribute to economic growth, and their knowledge of local conditions is frequently helpful to donors. Private-sector involvement in emerging economies benefits both the developing country and American companies that benefit from new markets for products and services and create jobs at home to meet the new demand.

Even with this new environment, foreign assistance is still vital. There are important missions that private-sector finance, remittances, and philanthropy may never take on such as addressing transnational threats, pandemic disease containment, and rule-of-law reform. Moreover, fragile states and the poorest countries struggle to attract private finance and cannot raise their own adequate resources due to weak institutions. In these countries, foreign assistance will need to continue to play a major supporting role to get them on the path to sustainable economic growth. In particular, this requires finding ways to “crowd in” private-sector finance through entities such as the Overseas Private Investment Corporation (OPIC), U.S. Trade and Development Agency (USTDA), and USAID’s Development Credit Authority (DCA).

OPIC, as a “development finance institution,” is a prime example of how a government or quasi-government entity can effectively “crowd in” private-sector financing in developing countries, including direct equity investments, loans and loan guarantees, and risk insurance.

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Over a period of 14 years, DFIs grew in importance and size: in 2000, total new financing commitments by all DFIs equaled approximately $10 billion; in 2014, total new commitments rose to around $70 billion.\(^4\) If this growth continues at a similar pace, total DFI commitments will likely equal or exceed all foreign assistance. DFIs will play a large role in the future of development; all G-7 nations have a DFI (Canada recently created its own DFI) and countries such as China and Brazil use their DFI-like entities as key conduits for their engagement in developing countries.

Recommendation 1: Maintain USAID as an independent agency overseeing all new foreign assistance efforts, develop a clearly articulated development strategy, and designate the USAID administrator as coordinator of foreign assistance.

1.1: Maintain USAID as an independent agency reporting to the secretary of state and designate the USAID administrator as coordinator of foreign assistance, with the authority to convene relevant stakeholders and coordinate all U.S. foreign assistance programs, except for security assistance. The secretary of state needs coherence across U.S. foreign assistance funding; this designation gives a single point of accountability for the secretary and will result in enhanced coordination and programmatic efficiency, effectiveness, and accountability. In this new role (envisioned as more akin to a chair of a theoretical “joint chiefs of development” rather than a Director of National Intelligence-like additional layer of bureaucracy), the coordinator would remain accountable to the secretary of state to ensure that U.S. foreign assistance continues to support U.S. national security and foreign policy. Additionally, the USAID administrator should be a permanent member of the National Security Council principals’ committee to ensure development has a distinct policy voice in national security discussions.

Independent development agencies (e.g., MCC, OPIC, and USTDA) should maintain independence but should report to the coordinator to better align their activities with other U.S. assistance programs.

1.2: The USAID administrator, in conjunction with other stakeholders including State and DoD, should lead the development of a clearly articulated U.S. development strategy that complements and supplements the U.S. National Security Strategy, based on the goals and objectives outlined above. The strategy should ensure that U.S. foreign assistance resources are allocated in a consistent way that rationalizes or eliminates bureaucratic redundancies and inefficiencies that compromise the overall effectiveness of foreign assistance. The strategy, developed with the approval and support of the secretary of state and in cooperation with relevant agencies, should then be the basis for the annual foreign
operations budget request. Depending on time and resources allocated for this important exercise, the administrator should consider referring to multilateral and bilateral aid review processes recently completed in the United Kingdom and elsewhere.\(^{41}\) The strategy should also consider innovative, whole-of-government programs—like Power Africa\(^{42}\)—that showcased successful interagency cooperation to address a specific sector or issue. The Trump administration could explore a similar approach to infrastructure finance, urbanization, and any number of other large, complicated, and interagency issues. Given the complex challenges in our world today, the process should also consider strategies for fragile and failing states, including a focus on reducing extreme poverty, fostering anticorruption efforts, and bolstering democratic governance.

As part of the strategy, a clear division of labor between USAID and MCC especially is needed. USAID should focus its economic development and governance initiatives on preparing non-MCC countries for future compacts. As a critical tool in the foreign assistance “toolbox” originally envisioned to empower countries to solve independently the last barriers to development, MCC should redouble its focus on its core values: selectivity, country ownership, transparency, and a focus on results.\(^{43}\) Clear, deconflicted mandates between USAID and MCC are crucial with a shrinking number of countries qualifying for compacts and existing countries are entering their second or, even, third five-year compacts.\(^{44}\)

1.3: New foreign assistance initiatives should be overseen or implemented by USAID, absent a compelling case otherwise. In addition to conducting a review of existing assistance programs across the U.S. government to assess whether they contribute to strategic objectives and are accountable, any new spending or initiative should go through a process by which the agency proposing the initiative would explain to the coordinator of federal foreign assistance (the USAID administrator) and Congress why it is needed and why the proposing agency is the best one to implement it. Exceptions must be supported or recommended by the coordinator.

1.4: Transfer the F Bureau from the State Department to USAID to support the USAID administrator in fulfilling his/her coordinator functions. A strong budget coordination office will be required to support the administrator’s new coordination role. The Office of U.S. Foreign Assistance Resources (commonly known as the “F Bureau”) at the State Department currently plays a budget coordination role that creates inefficiencies in resource decisions

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\(^{42}\) Power Africa employs a transaction-centered approach to directly address the constraints to project development and investment in sub-Saharan Africa’s energy sector. The model works with the private sector to build local capacity by supporting innovative ways to make traditional assistance programs more effective and sustainable. USAID is the lead coordinating agency for the initiative that brings the combined expertise of 12 U.S. government agencies, the World Bank Group, the African Development Bank, the government of Sweden, host governments, and more than 100 private-sector partners. USAID, “Frequently Asked Questions,” https://www.usaid.gov/powerafrica/frequently-asked-questions#1a.


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and allocations, oftentimes meaning that funds are allocated to overseas missions near the end of a fiscal year with requirements to spend before end of the fiscal year. Moving the functions of the F Bureau to USAID would create efficiencies and facilitate closer coordination between the USAID administrator and the secretary of state on issues of foreign assistance. The F Bureau would also provide secretariat support for the USAID administrator in his or her role in coordinating federal foreign assistance programs.

Recommendation 2: Address duplication of effort and generate budget savings while maintaining functional coherence when appropriate.

2.1: Address duplication of efforts across the various agencies and departments engaged in foreign assistance by identifying programmatic functions that should shift to USAID. The USAID administrator, as coordinator of foreign assistance, should begin efforts to create efficiencies by eliminating redundancies across the U.S. foreign assistance portfolio. This process should start with relevant programs at the State Department—which has assumed a more programmatic role since the early 2000s—then shift to merging or closing foreign assistance programs managed by primarily domestic agencies. Under any proposed reorganization plan, programmatic functions should merge into USAID wherever possible. If the USAID administrator is empowered to act as coordinator of all U.S. foreign assistance, then ending duplication of effort should be the prerogative of the administrator. This will help streamline programming and generate efficiencies and savings. The State Department should continue to play a policy role in conflict and post-conflict situations, Bureau of Democracy, Human Rights, and Labor Affairs (DRL), and through facilitating policy dialogues at the country level.

This review should also include examination of the roles played by special envoys, representatives, coordinators, and ambassadors at large. Some may have compelling reasons to continue—one example is the ambassador at large to monitor and combat trafficking in persons, which does not have a natural placement in any one bureau—but those serving duplicative functions with regional and functional bureaus should be considered for elimination. Elevating specific issues and regions can lead to positive policy outcomes, but those that create redundancies with other functions—that may have more coherent strategies and more resources—should be reviewed.

Under this consolidation, USAID would have the following functional bureaus, along with the regional bureaus, some of which will gain additional coordinating functions. For example, there are a series of regional assistance coordinators in State Department regional bureaus that duplicate efforts at USAID. This includes the coordinator for assistance to Europe and Eurasia and the coordinator for assistance to Near East; as appropriate, these offices should be eliminated and their functions should move to the relevant regional bureaus at USAID.

1. *Global health.* Since President Bush launched it in 2003, the President’s Emergency Plan for AIDS Relief (PEPFAR) has spent $70 billion and successfully put almost 11.5
million people on life-sustaining antiretroviral treatments.\textsuperscript{45} PEPFAR developed a new process due to the establishment of the Office of the Global AIDS Coordinator (OGAC) at the State Department. OGAC is charged with planning, managing, and evaluating PEPFAR with seven federal agencies: HHS (including CDC), State Department, USAID, DoD, Peace Corps, Department of Labor, and Treasury. As PEPFAR—originally designed as an emergency initiative—moves to a more long-term sustainability model and confronts a changing epidemic focused more on managing chronic disease than researching treatment regimes, it is also critical that the other U.S. government global health programs benefit from its lessons learned. Like PEPFAR, they should become more targeted and focused on goals and metrics. Carefully merging USAID’s Global Health Bureau and PEPFAR over time to ensure continued performance will result in strong global health programs that are more targeted and effective. Though some would argue that PEPFAR is “not broken, so why fix it,” a much more natural fit for OGAC and PEPFAR as development programs that will create cross-program efficiencies and likely budget savings is not to create parallel structures elsewhere, but rather to strengthen USAID’s systems and give it the resources it needs to be effective. The proposed change is not meant to “downgrade” or dilute OGAC in executing its authorities or mission; rather, it is meant to integrate it with other USAID health programs that are increasingly critical to PEPFAR fulfilling its mission—for example, particularly high HIV/AIDS prevalence rates in adolescents and vulnerabilities specific to women and girls, the solutions to which go beyond the current scope of PEPFAR.\textsuperscript{46} Addressing the complex challenges of tomorrow will be difficult in the current, more siloed, organization. The reorganization also would better equip PEPFAR to engage with partner countries on how to become more self-reliant and how to create more sustainable national health infrastructures. Under the reorganization, OGAC would report directly to the USAID administrator in his or her new role as coordinator of all federal foreign assistance and maintain the “dual hat” as global health diplomacy lead. PEPFAR would remain a stand-alone office within USAID’s Global Health Bureau. Good examples of similar whole-of-government initiatives originally conceived in the State Department and now led by USAID include Feed the Future and\textsuperscript{47} the President’s Malaria Initiative.\textsuperscript{48}

2. \textit{Conflict, fragility, and humanitarian assistance}. Multiple offices at the State Department and USAID work on issues related to conflict and post-conflict situations, fragility, and humanitarian assistance. Much of this is a direct response to the wars in Iraq and Afghanistan. To strengthen the U.S. government’s ability to address this important issue, a new Bureau for Conflict and Fragility should be created at USAID that would combine the programming functions of the Bureau of Conflict and Stabilization Operations (CSO), Office of Transition Initiatives (OTI), and CMM. The State Department would retain policy functions in these areas. All overseas refugee,

\begin{itemize}
\item \textsuperscript{45} PEPFAR, “Program Results Achieved through PEPFAR Support,” https://data.pepfar.net/.
\item \textsuperscript{47} Feed the Future, “About,” https://feedthefuture.gov/about.
\item \textsuperscript{48} President’s Malaria Initiative, “About,” https://www.pmi.gov/about.
\end{itemize}
IDP, and returnee relief programs should be transferred from the State Department to USAID and, together with OFDA, the Bureau of Population, Refugees, and Migration (PRM) (currently at the State Department), and Food for Peace Program, would form new Bureau of Humanitarian Assistance.

3. **Democracy, human rights, and governance.** A new Bureau for Democracy, Human Rights, and Governance should be created at USAID that would encompass governance, anticorruption, and rule-of-law programs from DRL and the Bureau of International Narcotics and Law (INL) at State, as well as from the old Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA). Governance and rule of law programs are essential to creating business enabling environments that will allow U.S. businesses to expand into new markets.

4. **Economic growth.** A new Bureau of Economic Growth should be created at USAID that includes the current offices of the E3 bureau related to economic growth,\(^{49}\) Power Africa, and the Global Development Alliance office.

In addition to the bureaus mentioned above, the U.S. government has a series of powerful development finance tools through OPIC, USTDA, and the DCA at USAID. These entities forge new international trade and investment relationships that have a direct impact on U.S. job creation. The Trump administration’s budget blueprint proposes shutting down OPIC and USTDA, which would be a mistake. Although small in comparison to USAID, these groups help to leverage private-sector investment that also has a development impact; contrary to critiques, OPIC, USTDA, and DCA help to “crowd in” private investment rather than “crowd out.” These entities should be strengthened and better coordinated with the broader foreign assistance architecture, along the lines of what Power Africa has done.

2.2: Generate budget savings by ending programs or missions, as agreed to by all relevant agencies, that are no longer central to a U.S. foreign assistance strategy. Presidential Policy Directive 6, released in 2010, suggested the United States should disperse assistance less broadly, and instead “increase the focus of resources, policy tools, and engagement in support of select countries and subregions where the conditions are right to sustain progress.”\(^{50}\) This means that U.S. foreign assistance will be more selective and use new criteria to decide whether the United States should continue to provide assistance to a country. The USAID administrator, in his or her role as federal coordinator of foreign assistance, should lead an interagency process to determine standards and guidelines to identify savings through transitions. Below are five approaches to consider:

1. **Develop middle-income countries “graduation” strategy.** The U.S. government continues to maintain missions in several middle-income countries (see Annex I). USAID should prepare multiyear “graduation” plans as part of a broader strategy for middle-income countries not currently in conflict or immediate post-conflict

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\(^{49}\) Offices of economic policy, trade and regulatory reform, private capital and macroenterprise, energy and infrastructure, and land tenure.

situations and should identify vehicles and institutions to “leave behind.” These “graduation” plans should be country context specific and include country government input, as well as consultations with other bilateral and multilateral donors. The resulting “graduation” strategy should include a closeout list and analysis on what current funding is used for. The goal should not just be to end foreign assistance, but to appropriately define the nature of the bilateral relationship moving forward. Refocusing MCC’s mission on the better performing developing countries will strengthen the U.S. government’s ability to “graduate” countries from an assistance-based relationship to one characterized by greater economic cooperation, trade, and investment.

2. **Support in country domestic resource mobilization efforts to gradually transfer U.S. assistance onto host-country governments, ensuring the sustainability of programs and development progress.** Domestic resources in developing countries are now many times greater than all foreign assistance. Based on an assessment of where it is feasible, USAID should begin to transfer the delivery of direct services to partner country budgets through a series of programs aimed at improving their public financial management and efforts to mobilize domestic resources. These programs should be modeled on the Sustainable Financing Initiative (SFI) created in 2014 under PEPFAR. SFI launched a pilot program in five countries that relied on a small amount of PEPFAR funding to make targeted reforms to local tax systems thus generating additional government revenue that can be directed to improve health systems.

3. **Consider limiting or ending small foreign assistance obligations and, in some instances, leave behind a “development attaché” or work through a regional mission.** The U.S. government maintains several smaller portfolios globally that are relatively costly to operate and often have little strategic rationale (see Annex I). Rather than continue to maintain these obligations, USAID in coordination with the State Department should assess whether their functions—if needed—can be better served through a regional office, bilateral donor partner, or multilateral donor partner. The U.S. government should identify the requisite incentives for the State Department, Congress, host country, and other stakeholders to buy in to the transition from foreign assistance to true partnership.

4. **Seek division of labor with other donors and MDBs.** The United States should also consider how it can seek a better division of labor with other bilateral donors and more importantly the multilateral development banks (MDBs). The MDBs play a valuable role by helping countries transition from assistance to a trade and investment relationship given their focus on sovereign lending. The United States should renew its leadership in the World Bank and the four regional development banks (the United States remains the largest or second-largest shareholder in these entities) to better align the MDB’s focus with its own development policy. For 16 years, two presidential administrations pursued a policy akin to benign neglect toward the MDBs; this is an opportunity for the Trump administration to reverse this trend and increase foreign assistance burden sharing.
5. **Reduce sectors of focus.** As the largest bilateral foreign assistance donor in real terms, the United States spends money across nearly every development sector. Some of these efforts likely provide a lower return on investment for foreign assistance; these efforts should be analyzed and then ended. This report does not recommend the elimination of any particular sectors, but does recommend that the USAID administrator, as coordinator of federal foreign assistance, order an effectiveness and efficiency review of all sectors. The structure of the process could be informed by the Base Realignment and Closure (BRAC) process that DoD pursued to trim its physical presence, with the understanding that overseas functions and goals are different than domestic ones. A BRAC-like exercise—as part of the clearly articulated development strategy—would establish metrics and a baseline to measure returns on U.S. foreign assistance, and make recommendations for where cuts could be made.

2.3: Maintain the Development Assistance (DA) account as a separate account from the Economic Support Fund (ESF). The DA account should stay as a distinct funding stream for long-term development programs. Experience shows that without a separate funding steam, the urgent, short-term programs (e.g., budget support for political allies) will always take precedence over the also important long-term development efforts. ESF works mostly in the short term in areas of strategic importance to the United States; it is not a traditional, long-term development assistance function. The number of countries receiving funds through the ESF vehicle should also be limited to those with nondevelopment-related strategic importance (i.e., Jordan, Egypt, Israel) and money currently programmed through ESF to other countries should shift to the DA account.

**Recommendation 3: Modernize the personnel system, make the procurement system more efficient, and streamline reporting.**

3.1: Reform the personnel system. USAID’s personnel system is broken and not resourced to deal with current challenges. USAID should speed up the hiring process, clarify promotion guidelines, and reward service in unaccompanied posts in a way that encourages people with the right skill set to be deployed to these posts. The current inflexibility in employment hiring mechanisms and lack of focus on “duty of care” concerns for staff and families often stops people with modern skills willing to work on foreign assistance from coming into USAID. Taking the lessons from the crippling RIF process of the late 1990s as a cautionary tale of what happens when personnel funding and systems are not prioritized, several areas for reform exist. With the recent increase in “nonpermissive environments” unsuitable for overseas posting with families, putting people on an inflexible track at the beginning of their careers no longer makes sense. The focus should be on recruiting, training, mentoring, caring for, and rewarding personnel. To meet the challenges of today, USAID should undertake the following personnel reforms:

- USAID should undertake a comprehensive workforce planning process that should focus on the types of personnel needed to achieve its many missions. As part of this effort, USAID should reduce the number of hiring/employment mechanisms by
creating one flexible hiring mechanism similar to the Schedule B authority used to staff the Global Development Lab or the 3161 Authority used in Iraq and Afghanistan to hire for certain periods of time for discrete purposes.

- Rethink the full life cycle of someone who chooses a career in foreign assistance. From recruitment to training and support in challenging postings, an employee- and family-centric model must be reconciled with the need for longer-term coverage in challenging environments that are often unaccompanied. As a 2015 comprehensive assessment of the stress and resilience issues affecting USAID personnel found, nonpermissive environments are adversely impacting workforce health and likely reducing the mission effectiveness of USAID. Rewards for these types of postings and a better system for rotation within a group to avoid institutional memory loss should be explored as part of this exercise, which should also consult previous work done on this issue (like the report referenced above). More analysis on the importance of these issues and the consequences of inaction are not needed; what is needed is more thought on the types of personnel needed and strong leadership, appropriate resources, and worthy attention to finding suitable solutions that meet the challenges of today while taking care of the workforce.

- Encourage “jointness”: Similar to the Goldwater-Nichols reforms for the Department of Defense and USAID, agencies involved in foreign assistance should seek to develop greater “jointness” through a policy of secondments and rotations. Though these should start with the State Department and USAID, they should then expand to other agencies, including the Department of Defense. This would allow for staff members from across development and diplomacy to gain a deeper understanding of what other agencies do and, in doing so, improve their own performance and inclination toward interagency cooperation.

3.2: Reform the procurement system to clarify and strengthen the decisionmaking process. To increase efficiency, effectiveness, and accountability, USAID must revise its procurement guidance regulations and its internal review procedures for determining when the use of acquisition or assistance is the appropriate choice of instrument for each development project. The current regulations and procedures are too vague and are therefore not helpful to program staff or to contracting officers (COs) and agreement officers (AOs), many of whom have less than five years’ experience. More precise regulations that link to clearer internal review procedures will have several benefits: they will strengthen USAID’s focus on mission outcomes and project accountability; help reduce the lengthy interval from announcing a project to making the award; assist the agency and its implementing partners in bringing their capabilities to the agency and beneficiaries; and eliminate unnecessary and burdensome administrative requirements on both the agency and its implementing partners. As part of this process, the distinction between operational expense and program accounts needs to be reevaluated.

3.3: Streamline reporting requirements to Congress and tie funds to country strategies. The USAID administrator, as coordinator of federal foreign assistance, should work with the appropriate congressional committees to reduce the reporting burden of the agency. USAID should start by consulting the FY2018 Congressional Budget Justification for the Department of State, Foreign Operations, and Related Programs, which alludes to several USAID-led efforts to reduce the burdens of planning and reporting. Where appropriate, USAID should propose discontinuation of many and an end date for most reports. Though this seems trivial, on aggregate preparing these reports requires so much staff time that often they are produced at the expense of actual program implementation. The 2016 Program Cycle and 2015 Performance Plan and Report both focused on reducing unnecessary or duplicative programmatic reviews. The President’s Malaria Initiative Annual Report, for example, is in its 11th iteration. Greater transparency through an improved foreignassistance.gov should provide timely and comprehensive information to Congress and to the general public.

The in-country budgetary line items (often incorrectly referred to as “earmarks”) and congressional reporting requirements could then be tied to Country Development Cooperation Strategies (CDCS) as tools for strategic planning. Currently, USAID submits annual reports for its larger executive programs like Electrify Africa, or the Biodiversity Conservation and Forestry programs. Producing these reports, in addition to a 400-page budget justification annually, exacerbates the organizational ability to focus on actual program strategy or implementation. Streamlining the processes and reporting mechanisms with CDCS could reduce spending while still achieving learning and maintaining congressional oversight. The inspector general reporting process, while useful, should also better acknowledge the unique nature of longer-term foreign assistance programs when making value for money and other determinations.

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Congressional and Executive Branch Actions

Reform and reorganization of foreign assistance is an area ripe for constructive, bipartisan cooperation between the administration and Congress. Congress and the executive branch both have important roles to play in designing, implementing, and overseeing reform and reorganization. In response to the president’s executive order and budget request, there is significant energy in Congress to mobilize around this effort.

Based on lessons from past reform efforts, it is unlikely that Congress will impose reform on an unwilling executive branch and vice versa. Congress can certainly limit or stop the executive from doing something, but it is difficult for Congress to force its own reform agenda. Likewise, if the administration seeks to implement reform and reorganization without congressional cooperation, the efforts will be either unsuccessful or not sustainable. These realities demonstrate the need for the administration and Congress to unite around a substantive and bipartisan development reform and reorganization agenda that furthers our national interest. To accomplish this goal, the Trump administration should seriously consider the recommendations above and Congress should play an active oversight role by:

- Holding hearings;
- Producing reports; and
- Modifying existing legislation to codify structural changes to legislatively mandated programs (like PEPFAR).

Sweeping legislation directed at imposing Congress’s own reorganization plan (e.g., the 1984 Goldwater-Nichols Department of Defense Reorganization Act), while probably preferable, is perhaps unlikely in the short term. Instead, Congress should focus on achievable reforms in the current environment. Recent congressional efforts in foreign assistance reform such as the Foreign Assistance Accountability and Transparency Act, Electrify Africa Act, and Global Food Security Act all support this strategy.

Congress can also play a constructive role and support the broader reform agenda, by passing legislation related to the following:

- Review of multilateral entities funded by the U.S. government to assess their performance, management, accountability and transparency, alignment with U.S. foreign policy objectives, and efficiency;
• Institution of a classified national diplomacy and development strategy to be produced and submitted periodically to Congress by the State Department and USAID; and

• Utilization of Article 1 “power of the purse” prerogatives if certain decisions with significant long-term impacts—for example, the full merger of USAID into the State Department—are made by the administration without a broad, agreed-upon strategy.

More broadly, and in order to increase flexibility, Congress should give USAID greater ability to reprogram money where appropriate. Without this authority, USAID lacks the ability to respond quickly to emerging threats and challenges. Around 97 percent of the foreign operations budget is directed toward specific projects or line items; at the country level this means country strategies are essentially meaningless and programming must be “backed in” existing budgetary line items. Improving this restrictive budgetary environment would help to improve the efficiency of U.S. foreign assistance. If Congress were to grant this increased flexibility, it would be right to expect increased program transparency and performance in return.
Annex I

Foreign Assistance “Graduation” Scenarios

Middle-Income Countries

A primary goal of development assistance should be to move a country from being reliant on foreign assistance to a mutually beneficial relationship for both countries based in trade, investment, and alliances. This path of “graduation” was successful after the implementation of the Marshall Plan in Europe, and with Japan and South Korea subsequently. But many middle-income countries still benefit from significant U.S. sources of funding despite their illustrated growth across economic, governance, and other indicators. While this progress should be continually fostered and nondevelopment, geostrategic issues should be considered, the instruments that define the U.S. relationship with these countries should be reevaluated given these countries’ growth. As part of this reevaluation or “graduation” strategy, analysis on what the economic and military assistance is used for should inform any decisions on appropriateness and relevance to U.S. national interest. For example, some of these countries—such as Israel, Jordan, Mexico, and Colombia—are geostrategically important to the United States and the foreign assistance investment is likely for other security, trade, or political reasons.

Below are over 20 countries with relatively high gross national income (GNI) per capita (one measure of middle-income country status)\(^5\) as well as high U.S. foreign assistance levels. After further review and alignment with strategic national interest considerations, the list below could form the start of a conversation on the types of countries where the United States could save billions via foreign assistance “graduation” and the standards by which the U.S. government evaluates readiness to “graduate.”

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Total U.S. Foreign Assistance Obligations, 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>Economic</th>
<th>Security Assistance</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Israel</td>
<td>$ 13,025,333</td>
<td>$ 3,282,033,268</td>
<td>$ 3,295,058,601</td>
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<tr>
<td>Jordan</td>
<td>$ 1,045,041,816</td>
<td>$ 468,298,106</td>
<td>$ 1,513,339,922</td>
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<td>Colombia</td>
<td>$ 762,972,326</td>
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<td>Mexico</td>
<td>$ 530,518,312</td>
<td>$ 55,334,139</td>
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<td>Lebanon</td>
<td>$ 351,426,795</td>
<td>$ 156,558,594</td>
<td>$ 507,985,389</td>
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<tr>
<td>South Africa</td>
<td>$ 359,170,438</td>
<td>$ 3,204,104</td>
<td>$ 362,374,542</td>
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<td>Peru</td>
<td>$ 294,815,233</td>
<td>$ 9,218,169</td>
<td>$ 304,033,402</td>
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<tr>
<td>Kazakhstan</td>
<td>$ 112,761,687</td>
<td>$ 78,254,364</td>
<td>$ 191,016,051</td>
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<td>Turkey</td>
<td>$ 111,529,160</td>
<td>$ 3,940,159</td>
<td>$ 115,469,319</td>
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<td>Dominican Republic</td>
<td>$ 106,191,534</td>
<td>$ 4,580,601</td>
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<td>India</td>
<td>$ 99,607,969</td>
<td>$ 5,307,104</td>
<td>$ 104,915,073</td>
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<tr>
<td>Thailand⁵⁷</td>
<td>$ 62,417,475</td>
<td>$ 4,538,415</td>
<td>$ 66,955,890</td>
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<tr>
<td>China</td>
<td>$ 43,639,166</td>
<td>$ 3,492,094</td>
<td>$ 47,131,260</td>
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<td>Belarus</td>
<td>$ 46,596,935</td>
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<tr>
<td>Bosnia-Herzegovina</td>
<td>$ 40,710,367</td>
<td>$ 5,142,713</td>
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<tr>
<td>Botswana</td>
<td>$ 43,244,339</td>
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<td>$ 19,662,327</td>
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<td>Romania</td>
<td>$ 10,538,554</td>
<td>$ 21,170,749</td>
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<tr>
<td>Russia⁵⁸</td>
<td>$ 22,839,017</td>
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<td>Panama</td>
<td>$ 12,205,024</td>
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<td>Bulgaria</td>
<td>$ 6,617,089</td>
<td>$ 9,771,097</td>
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<tr>
<td>Costa Rica</td>
<td>$ 10,131,421</td>
<td>$ 4,186,617</td>
<td>$ 14,318,038</td>
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<tr>
<td>Grand Total</td>
<td>$ 4,092,636,984</td>
<td>$ 935,938,686</td>
<td>$ 5,028,575,670</td>
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</tbody>
</table>


⁵⁶ These funds are managed by and allocated to many organizations and agencies, not limited to USAID or the State Department. They include the Departments of Defense, Agriculture, and Energy, the Peace Corps, MCC, TDA, and Departments of Justice, and Health and Human Services, among others. These numbers are meant to represent the totality of American foreign assistance in a country. Some have graduated from basic bilateral assistance to more advanced economic relationships. This is not meant to represent a purely development impact. These countries have relatively high GNI per capita in their World Bank income brackets, and enjoy comparatively high U.S. foreign assistance despite their economic progress over the past decades.


⁵⁸ The United States obligated almost $23 million in economic foreign assistance to Russia in 2015. No military assistance was obligated. The main implementing agencies were the Departments of State, Energy, Commerce, Health and Human Services, and Interior. These 124 programs and projects focused on energy, government and civil society, emergency response, education, the environment, industry, and health. The five largest activities—all in the millions of dollars—focused on nuclear material threat reduction, narcotics law, resettlement, and global threat reduction. These are examples of programs that might be considered strategically important to advancing U.S. national interests; however, Russia is included on this list because of its general economic progress.
As an interim step, U.S. foreign assistance missions should seek better synergies and in-country cost savings. For example, missions should be systematically incentivized to combine programs in education, economic empowerment, gender-based violence, food security, and reducing child marriage with their core health interventions.

Small U.S. Foreign Assistance Obligations

USAID missions are critical for in-country development assistance implementation, with 70 percent of the USAID workforce employed in country and regional missions (70 percent of that number are non-U.S. citizens working as host- or third-country nationals in the recipient country). Some of these missions operate in countries that have demonstrated growth or represent a small assistance footprint that may not justify the overall investment. The closure of these missions—by merging operations into a regional office, recipient country office, or an embassy via a “development attaché”—according to an evidence-based strategic plan could amount to hundreds of millions in savings over time. The mission in Panama, for example, closed five years ago when the country was deemed able to “propel its own development.” As was done in a 2012 report, any adjustments or closures should follow the principles that such changes should not hurt the U.S. assistance infrastructure and, whenever possible, minimize the impact cuts would have in developing countries. Some of the 15 smallest U.S. foreign assistance country footprints (shown below) together total over $200 million. These countries represent a small amount of U.S. foreign assistance yet employ disproportionate levels of attention given the presence of a USAID mission, their economic success, or geopolitical importance. Their continued relevance to U.S. national interests and overall return on investment to the U.S. taxpayer should be studied by the coordinator of foreign assistance and acted upon as he or she deems appropriate.

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## Smallest U.S. Foreign Assistance Obligations, 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>U.S. Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maldives</td>
<td>$2,925,298</td>
</tr>
<tr>
<td>Montenegro</td>
<td>$3,532,552</td>
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<td>Cuba</td>
<td>$5,773,135</td>
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<td>Turkmenistan</td>
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<td>Guyana</td>
<td>$7,120,912</td>
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<td>Venezuela</td>
<td>$9,222,146</td>
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<td>Mongolia</td>
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<td>Libya</td>
<td>$14,997,528</td>
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<td>Paraguay</td>
<td>$17,387,383</td>
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<td>Laos</td>
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<td>Brazil</td>
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<td>Panama</td>
<td>$20,710,464</td>
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<td>Mauritania</td>
<td>$21,636,204</td>
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<tr>
<td>Djibouti</td>
<td>$25,588,540</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>$26,295,712</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$213,138,591</strong></td>
</tr>
</tbody>
</table>

Annex II

Additional Views from Task Force Members

Larry Garber

I congratulate CSIS for organizing this task force and Senators Young and Shaheen for sponsoring this initiative. I agree with the report’s emphasis on the importance of “development” in meeting the challenges of today’s complex world and in offering concrete recommendations to enhance the effectiveness of U.S. assistance programs. I write separately to provide additional specificity to several of the points offered in the body of the report.

1. Core U.S. national security objectives include providing for the security of U.S. citizens and those of our allies and facilitating a rules-based international order that promotes political freedom, economic growth, and societal well-being. Without doubt, international development contributes to the United States achieving these objectives. Foreign assistance, meanwhile, represents one of many tools that the U.S. government uses to achieve its national security objectives.

2. The report’s articulation of the USAID mission should be expanded to include promoting political freedom through diplomatic mechanisms and democracy, human rights, and governance programs.

3. The report should specify the distinct elements of the “development discipline” as including:

   a. A profound understanding of the broad development challenges confronting the international community;

   b. An astute awareness of how to engage local counterparts in many different political, economic, and social environments to identify local priorities and promote shared objectives;

   c. The application of an analytic approach to design and implement development programs;

   d. Reliance on a cadre of individuals who are trained to think strategically, to manage efficiently and effectively programs within specific technical sectors, and to dialogue with a range of counterparts.

   e. The ability to integrate development assistance with other instruments of policy.
4. The development function must be adequately resourced to address U.S. objectives and to provide the necessary complement to defense and diplomatic capabilities—a budget target for development assistance should be set at no less than 5 percent of defense spending.

John Simon

This report provides a valuable contribution to the critical discussions the administration and Congress have opened on the role of U.S. foreign assistance and our country’s development agencies in achieving our country’s foreign policy aims. I strongly endorse the report’s emphasis on foreign aid as a critical foreign policy tool and the need to resource it appropriately, clarify the division of labor among government agencies providing foreign assistance, and seek efficiencies through a comprehensive approach built around country strategies that deconflicts and streamlines various foreign aid efforts. The report rightly recognizes the value of an independent USAID and the leadership role the agency and its administrator should have in our foreign aid architecture, particularly in its areas of expertise, including disaster relief, basic human services, and technical assistance for policy reform.

I believe the report could have more strongly emphasized the benefits of having a diverse set of approaches housed in different agencies, including MCC, PEPFAR, and OPIC, to address the varying development needs in different types of countries. While efforts outside USAID need to be coordinated with a broader U.S. government development strategy, they should maintain their flexibility to use methods and mechanisms that most effectively achieve their objectives. Furthermore, we can rationalize the U.S. overseas footprint by allowing such agencies to take the lead role on the ground in countries where they are the preeminent U.S. foreign assistance intervention.

Tony Pipa

Congratulations to CSIS, and particularly to Senators Young and Shaheen, for their leadership in focusing attention on the importance of development to U.S. interests and exploring reforms to maximize the U.S. taxpayer’s return on investment of U.S. foreign assistance.

The report importantly highlights how development interests intersect with U.S. interests, and lays out several goals for USAID that further these interests. At the same time, I think it is critical to emphasize that development, at its core, is about improving and protecting the human condition at its most basic levels: ending poverty and advancing health, nutrition, education, gender equity, access to opportunity and infrastructure, and governments’ responsiveness to their citizens.

This moral imperative has been central to U.S. assistance since the Marshall Plan and must explicitly remain at the heart of USAID’s mission. It is the combination of this moral imperative with the promotion of U.S. interests that has generated such bipartisan support for development, and made it such an important and influential tool in advancing U.S. foreign policy and solidifying U.S. global leadership.
Michael Miller

PEPFAR is itself a major aid reform success story and has set a high bar for all development assistance and for international health partnerships, demonstrating to Congress and the public what they should expect in terms of performance and accountability. PEPFAR should be subject to a larger, coordinated development strategy, as the report recommends, especially in global health. However, the specific recommendation to merge PEPFAR into USAID does not provide a clear advantage over the existing structure, which is recognized as one of the greatest successes ever of the United States’ foreign assistance. The recommendation is aimed as realizing efficiencies that are neither sufficiently specific nor supported in the report’s findings to justify such a potentially disruptive change.

Nilmini Rubin

With over 90 percent of U.S. financial flows to developing countries coming from the private sector, the U.S. government should help steer commercial funds to projects that bolster our interests. Increasing the use of partnerships, coinvestment, risk insurance, and other financial instruments would create a win-win-win situation. The U.S. government could leverage private-sector funds into beneficial projects while preserving its capital for other important efforts. The private sector could increase its market reach, reduce its risks, and generate more revenue while achieving U.S. goals. The American people could realize the national security benefits of stability, economic growth, and job creation while minimizing the use of taxpayer funds.

The U.S. government has already piloted successful market-based approaches. Through Power Africa’s implementation of the Electrify Africa Act, the private sector has invested $14 billion of its own money in 80 power projects in sub-Saharan Africa—roughly 350 percent more than the government. Power Africa has succeeded by: 1) creating one coordinating team, 2) creating a network of private-sector partners to overcome investment obstacles, and 3) prioritizing projects for the U.S. government, private sector, and developing country to target.

A market-based approach, consistent with the World Bank’s new Cascade approach, could be applied to many sectors and regions. Agriculture, internet access, water, natural resources, and other infrastructure are ripe for this model since there is clear private-sector interest that is thwarted by policy, regulatory, and technical challenges. It also complements important efforts to fight corruption, improve democracy and governance, and clearly measure results.
Reforming and Reorganizing U.S. Foreign Assistance

Increased Efficiency and Effectiveness

COCHAIRS
Senator Jeanne Shaheen
Senator Todd Young

PRINCIPAL AUTHORS
Conor M. Savoy
Erol K. Yayboke

PROJECT DIRECTOR
Daniel F. Runde

JULY 2017

A Bipartisan Task Force Report of the
CSIS PROJECT ON U.S. LEADERSHIP IN DEVELOPMENT