The Future of U.S. Aid Reform: Rhetoric, Reality, and Recommendations

A Report of the Rethinking U.S. Foreign Assistance Program

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After what seemed a promising start, there is now a palpable sense in the aid community that ambitious plans for U.S. aid reform have stalled. President Obama pledged to elevate development, and his administration moved early to study aid effectiveness and reform options. But two and a half years into his administration, many are disappointed that the promise of reform remains unfulfilled. The current budget environment, with its anticipated pressures on international affairs spending, poses both challenges and opportunities to revive momentum on aid reform, but requires the willingness of both executive and legislative branches to meaningfully collaborate.

Certainly there has been some real progress made amid a fair amount of rhetoric. USAID has undertaken critical internal reforms that hold the promise of rebuilding it into a world-class development agency. The administration has also used high-profile special initiatives—Feed the Future, the Global Health Initiative, and the Global Climate Change Initiative—to signal its focus on these anchors of its development policy.

The administration completed two studies on development and diplomacy that offer guidelines for U.S. global engagement, but long delays may have undermined momentum for reform. More importantly, implementation is in question as a consequence of that lost momentum and budget pressures. The President's Policy Directive on Global Development (PPD) and the Quadrennial Diplomacy and Development Review (QDDR) were released in late 2010 to great expectation. Although not all quarters of the aid community endorsed every principle in the two documents, the expectation has been that the administration would move decisively to implement its guidelines. Without implementation, these two studies are simply rhetorical expressions of intent.

This analysis benefitted from the research assistance of Casey Dunning and Jake Grover, and helpful comments from colleagues at CGD and elsewhere including Todd Moss and Larry Nowels.

This analysis looks at the administration's commitment to aid reform, probable congressional responses, and recommendations for achieving reforms. It uses the 2012 budget request as the basis for assessing the administration's commitment to implementing the reforms presented in the PPD and QDDR. Not every aspect of the reforms can be measured through the budget; this analysis focuses on only those recommendations that can.

A budget gives important information about an administration's priorities. Budget requests are where the rubber meets the road, signaling an administration's commitment and plans to implement its policies. The administration submitted its FY2012 budget request to Congress on February 14, 2011. Given the long lead time in developing annual budgets, the 2012 request represents the first budget that the Obama administration largely wrote from start to finish. More importantly, it is the first budget document guided by the PPD and QDDR.

The budget process offers further insights about the future of reform through congressional consideration of the administration's budget request. It is during this process that principles eventually become actionable through spending legislation, affording Congress the opportunity to endorse or reject an administration's proposals. Looking at both aspects—the budget request and Congress's response—is central to this analysis.

Aid advocates responded with enthusiasm to President Obama's campaign pledge to double foreign assistance. In the present budget environment, however, many of them now fear the effects of anticipated cuts. Some of these fears may be unfounded. Effective development and aid reform, if done smartly, are possible even with declining budgets even though some aspects of reform will be derailed if finding is slashed. Reform in the context of budget challenges will require a major reorientation in approach that in the end could make U.S. programs more effective and efficient. Declining budgets can offer opportunities for overhaul that are not available during times of plenty.

Two Obama Administration Studies: PPD and QDDR

The President's Policy Directive on Global Development, an interagency effort led by the National Security Council, and the Quadrennial Diplomacy and Development Review, a State Department and USAID joint effort to study the dynamic between diplomacy and development, both mark the culmination of a long review. Both studies articulated a number of principles regarding foreign assistance effectiveness, and both reportedly informed the 2012 budget process.

After nearly one year of study involving all U.S. government agencies engaged in some type of foreign assistance or development work, the PPD outlined a number of principals to guide how the U.S. government engages in global development. The QDDR sought to strengthen the use of civilian power—diplomacy and development—to advance national interests. Perhaps reflecting the earlier release of the PPD, in which both the State Department and USAID participated, the QDDR also endorsed the elevation of development within a whole-of-government framework.

This analysis provides an assessment of progress on seven reform elements, articulated in both the PPD and QDDR and evident in the budget. (See Appendix A and B for a complete outline of PPD and QDDR reform elements.) Progress is measured by a green light if the administration is on the path to full implementation, a yellow light if progress is modest, or a red light if there has been little or no progress. These assessments of progress are subjective in nature, but the indicators logically follow from the reform element, and are generally widely accepted measures. Commentary is included with regard to Congress's response to foreign assistance budgets, the effects of budget constraints on aid effectiveness, and recommendations to carry forward each element.

Reform Element	**Indicator**	**Progress Red, Yellow, Green**
1. Elevate Development	Increase development funding; elevate USAID	
2. Strengthen USAID	Internal reforms; OE funding	
3. Focus and Selectivity of Aid	Prioritize by country, sector, initiatives	
4. Innovation	Budget for STI	
5. Enhance Multilateralism	Increased share for multilaterals	
6. Country Ownership	Integrated into strategies; FTF, PfG, MCC	
7. Monitoring and Evaluation	System developed and in place	

The FY2012 Foreign Operations Budget—The Big Picture

The 2012 budget request for State Department and Foreign Operations totals $59.5 billion.[1] Of this amount, $8.7 billion would be part of an Overseas Contingency Operations (OCO) request to cover the costs of activities in the front-line states of Afghanistan, Pakistan, and Iraq. This would leave nearly $51 billion for the core budget, funding State Department diplomatic activities and the foreign assistance activities managed by USAID and independent agencies. Of this, the core foreign operations portion comes to $35.9 billion.

Table 1. State and Foreign Operations Appropriations, FY2009–FY2012 Request (in billions of current U.S. dollars)

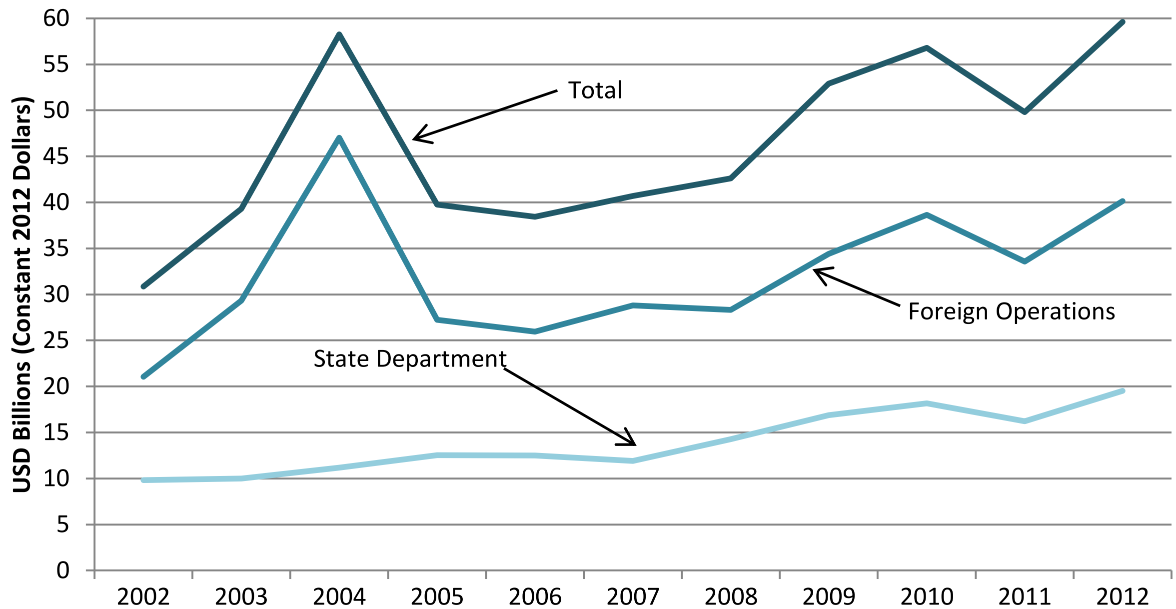
	FY2012 Request	**FY2011 Estimate**	**FY2010 Enacted[2]**	**FY2009 Actual**
State Department Core	14.96	15.95	14.62	15.83
Foreign Operations Core	35.91	29.45	34.66	34.31
Overseas Contingency Ops	8.70	3.57	5.08	NA

The international affairs budget, or 150 account, has steadily increased since the early 2000s as the United States has sought to respond to a post-9/11 environment, a number of military conflicts, volatility in global food and oil prices, and natural disasters. In real terms, the 150 account has nearly doubled since 2002; the foreign assistance portion went from $21 billion in FY2002 (in constant 2012 dollars) up to $39 billion in FY2010 and is requested at $40 billion in 2012 when the OCO request is included.

[1] For the purpose of this analysis, food aid is not included in these figures. International agriculture programs, in the form of P.L. 480 Food for Peace and the McGovern-Dole International Food for Education program, are considered a component of the international affairs budget, but are appropriated in the agriculture spending bill. The 2012 request for international agriculture programs is $1.9 billion.

[2] Includes supplemental funding (P.L. 111-212) and forward funding from a FY2009 supplemental (P.L. 111-32).

Figure 1. The International Affairs Appropriations, FY2002–FY2012



Source: CRS Report R41905, State, Foreign Operations, and Related Programs: FY2012 Budget and Appropriations, July 7, 2011.

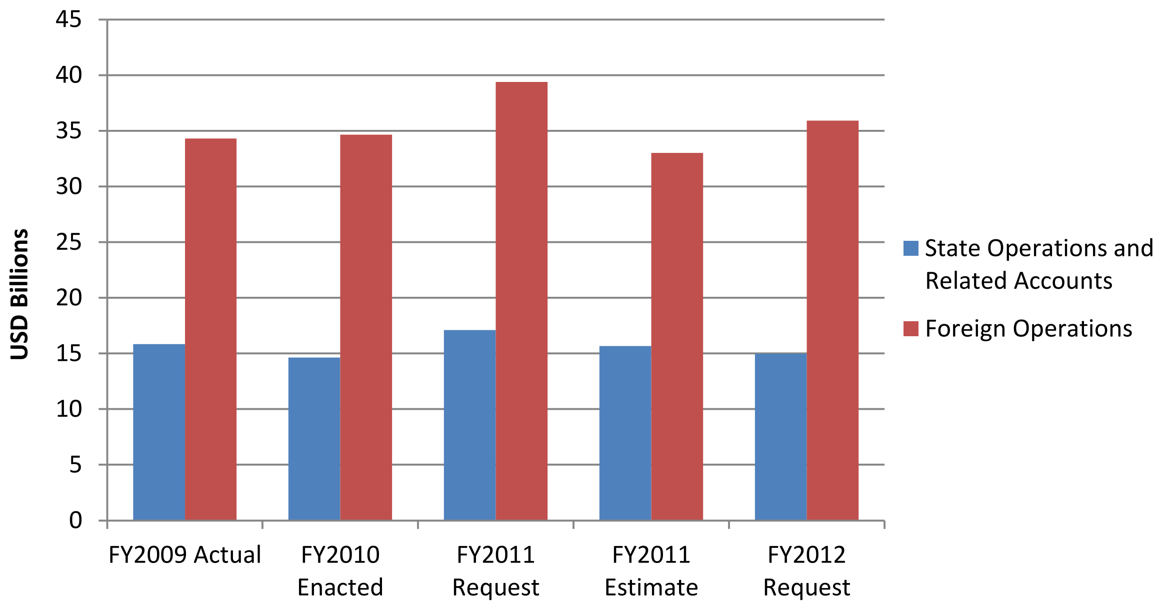
The 2012 Budget Process in Its Political Context

There are many factors affecting both how the 2012 budget was formed and how it is being considered by Congress. The International Affairs budget is an area where domestic and international politics have become increasingly interwoven and not always in constructive ways. Electoral politics makes it vulnerable to carrying a disproportionate share of budget cuts despite its comprising just over 1.4 percent of the federal budget.

At the same time, international obligations and national security interests suggest the need for robust funding of what has been called the soft power side of U.S. foreign policy. A civilian component to the military missions in Iraq and Afghanistan is now considered critical to success, and aid programs in Pakistan are advocated to help promote stability and economic growth in a region where terrorists have found refuge.

The issue of aid reform has not captured the attention of Congress outside of a few foreign policy–related committees, even as important questions are raised about the value of aid and its contribution to achieving U.S. foreign policy goals. While some members of Congress advocate for aid reform as a way to get more value for money, the topic remains low on the list of congressional priorities.

Figure 2. Appropriations for State Operations and Foreign Operations, FY2009–FY2012



(Includes both core and OCO funding.)

A new political configuration as a result of the 2010 elections has brought a greater focus on addressing growing budget deficits amid a tentative economic recovery. Such a focus on budget austerity occurs in a politically charged environment in which the Tea Party faction seeks to assert itself as the leading edge of the Republican Party. At the same time, control of the Senate and White House appears to be in play in the upcoming 2012 elections. The recent bargain struck between the White House and Congress to raise the debt ceiling will have consequences for funding levels in the 2012 appropriations bills and beyond; accordingly, the international affairs budget will not be immune to deep cuts.

President Obama pledged to double U.S. foreign assistance during his campaign for the White House. His 2011and 2012 requests reflect sizeable increases toward this commitment, but actual appropriations have been tempered by budget constraints.

The recent agreement to raise the debt ceiling, in exchange for further budget cuts and the creation of a special committee to find more savings, will also put downward pressure on the international affairs budget in 2012 and beyond. The 2011 international budget was cut by $8.2 billion from the president's request in an omnibus appropriation bill funding virtually all government operations and programs. That amount represents 11 percent of funds cut government-wide. The 2011 level of $48.2 billion was a 15 percent decrease from the request. By contrast, the 2012 Budget Resolution passed by the House of Representatives calls for core international affairs spending at just $41.0

billion. When the OCO portion is excluded, the House budget resolution level of $32.3 billion for core programs contrasts with $44.6 billion provided in 2011. This would represent a decrease of 28 percent.

The Appropriations Committees use the budget resolution's top-line number for discretionary spending to allocate funds among its subcommittees that have the job of writing the individual spending bills. The House allocation for the State and Foreign Operations bill to fund core operations has been initially set at $39.6 billion. The OCO request of $8.7 billion would be funded at $7.6 billion, with the remainder funded from DoD. The core budget of $39.6 billion is $7.3 billion higher than what is recommended in the House budget resolution; however, it is still 22 percent below the 2012 request and 13 percent below 2013 levels. The Senate allocation is more generous at $44.6 billion, $5 billion more than the House.

Recent passage of the Budget Control Act of 2011, reflecting the agreement to raise the debt ceiling, will most likely include even greater cuts to international affairs spending. For FY2012 and FY2013, the international affairs account is classified as security spending.[3] Total security spending for FY2012 is capped at $684 billion. This cap is $10 billion below the House Appropriations security spending levels, meaning that even greater cuts are required to these accounts. OCO accounts are exempt from this cap. Many aid advocates had previously urged that the 150 account be included in a national security budget, but in a new era of drastically reduced funding, USAID could find it difficult to compete with defense for scarcer resources.

Anticipated reduced levels could require a major reorientation of U.S. international engagement in both diplomacy and development. Deep cuts would seriously challenge the PPD and QDDR recommendation to elevate diplomacy and to rebuild USAID into the world's premier development agency. Staffing cuts for both the State Department and USAID would be one result in addition to a scaling back of major U.S. initiatives ranging from PEPFAR to the Feed the Future.

Aid Reform and the Obama Administration

Efforts to reform U.S. foreign assistance have existed almost from the very beginning of the aid program, with presidential and congressional reviews occurring every decade or

[3] Under the Budget Control Act of 2011, "security spending" comprises accounts for International Affairs, Department of Defense, Department of Homeland Security, Department of Veteran Affairs, the National Nuclear Security Administration, and the Intelligence Community Management Account.

so.[4] The latest wave of reforms gained momentum in 2009 when the Obama administration announced its intent to elevate diplomacy as an integral part of U.S. national security, equal with defense and diplomacy. The George W. Bush administration had first included development as a third pillar, with defense and diplomacy, in the U.S. National Security Strategy issued in 2002, and then again in 2006. The elevation of development during the Bush administration as evidenced by two new assistance programs—the President's Emergency Plan for AIDS Relief (PEPFAR), run by the State Department, and the Millennium Challenge Account, run by a separate entity, the Millennium Challenge Corporation (MCC)—contributed, however, to an already fractured aid system. Additionally, an overall increase in the foreign assistance budget strained the capacity of USAID to manage its programs with a depleted staff that resulted from cutbacks during the 1990s.

The Obama administration reiterated the importance of development to U.S. security interests in its May 2010 National Security Strategy, often referred to as the 3D approach (defense, diplomacy, and development). This was followed by the commencement of two studies that resulted in the PPD and QDDR. The focal areas of the two studies were not coterminous. The NSC study was an interagency review of U.S. development programs, many of which had migrated to over 20 separate agencies and departments since the 1990s. The QDDR focused nearly exclusively on the work of the State Department and USAID.

The reviews offered cause for both celebration and worry within the development community: celebration that development and foreign aid programs were being given such high-level attention and worry that the recommendations would take the focus off of poverty alleviation that many believe should be central to U.S. efforts. That USAID did not have an administrator in place during most of the QDDR process led many to conclude that the State Department would subsume the agency's programs and missions.

Both studies concluded that aid programs could be more effective, evidenced-based, and oriented toward results. Both studies implicitly recognized that a slow economic recovery and growing budget deficits would push policymakers to more closely scrutinize the international affairs budget in coming years. Neither recommended bold organizational change, but rather adopted a whole-of-government approach that would allow a continued reliance on government entities other than USAID and State to manage a large portion of the foreign assistance budget.

[4] See "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to the Present," by Larry Nowels in *Security by Other Means: Foreign Assistance, Global Poverty, and American Leadership*, Lael Brainard (ed), Brookings Institution Press, 2006.

PPD and QDDR Reform Elements

There are many common elements between the two studies that relate to foreign assistance reform. The following seven points of conjunction between the two studies could be expected to have budget implications. Each section that follows includes a discussion of congressional attitudes and recommendations to advance each reform element.

1. Elevate Development **Progress:** 

Both the PPD and the QDDR strongly assert that development should be equal to diplomacy and defense in support of U.S. national security and U.S. interests globally. There are several ways this would appear in the budget: a) a separately presented national security budget incorporating defense, diplomacy, and development that would demonstrate the connectivity of a 3D approach; b) the share of U.S. assistance allocated for development purposes would increase in the 2012 budget or the absolute dollars for development would increase, or both; c) the aid accounts that have a significant development purpose would see their relative or absolute funding increase; and d) USAID would be designated as the lead agency for all development programs including presidential initiatives.

a) *National Security Budget is more rhetoric than reality.* For the 2012 budget, administration officials spoke in terms of a national security budget, but it was not presented to Congress in a tangibly organized form; a national security budget was a rhetorical device rather than a budgetary organizing principle. The closest administration officials came to a national security account was designating an OCO request within the foreign affairs budget; however, the OCO request only includes the "frontline states" of Afghanistan, Pakistan, and Iraq. The administration was successful in including the 150 account as "security spending" in the Budget Control Act of 2011, an agreement between the White House and Congress on a process for reducing budget deficits.
b) *Development is losing ground relative to security.* The share of assistance devoted to development in 2012 is 60.2 percent compared to 63.9 percent in 2010, representing a troubling decrease.[5]

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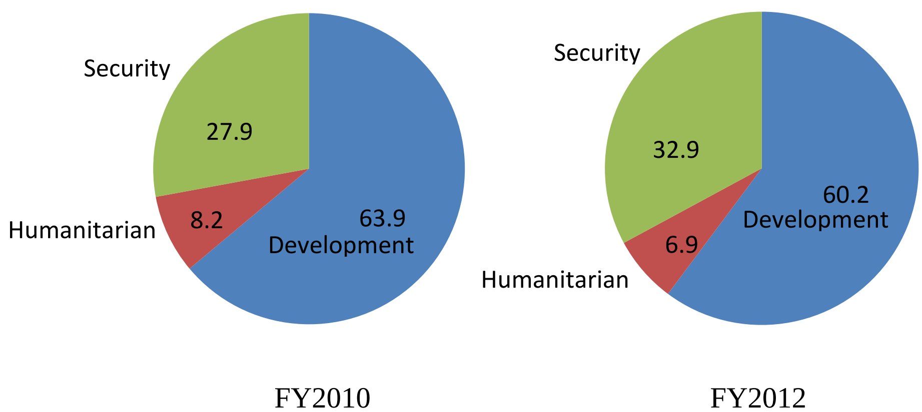
[5] These figures were calculated from administration budget documents and include the overseas contingency operations (OCO) budget. If OCO spending is excluded, the development share in 2012 would represent stagnation at 64.9 percent compared to 64.5 percent in 2010. The share of aid going for development includes the following accounts: GHCS; DA; TI; CCF; 83.5% of ESF; DF; 76% of AEECA; MCC;

Figure 3. Aid Share by Purpose, FY2010 and FY2012



c) *Stagnant budgets in key accounts.* Another way to view a commitment to development is to look at the four main aid accounts that fund the lion's share of development. Those accounts—Development Assistance; Global Health and Child Survival; Economic Support Fund; and the Millennium Challenge Corporation—total $18.7 billion, comprising 52 percent of the foreign operations request and 89.7 percent of total U.S. bilateral economic assistance. In 2010, total spending on these four accounts was $18.0 billion, which comprised 52 percent of the foreign operations budget and 88 percent of bilateral economic assistance. This indicates that the share of funds designated for development and the absolute dollar amount has remained stagnant since 2010.

d) *USAID is not fully in charge.* The PPD pledged to make USAID the government's lead development agency, while the QDDR recommended restoring USAID as the "world's premier development agency." This suggests that USAID would be, at a minimum, designated as the lead agency for all development programs and special initiatives. USAID has been designated the lead agency for Feed the Future; however, deciding agency leadership of the Global Health Initiative was punted to a future date. In addition, USAID has not been given authority to direct the development work of multiple agencies under the whole-of-government framework.

Congressional Response. If congressional action on the 2011 and 2012 budgets is any indication, Congress does not appreciate the value of aid. For 2011, foreign operations bore the brunt of cuts (roughly $7 billion of the $8.2 billion cut from the State/Foreign Operations budget). With regard to a national security budget, Congress initially rejected including the 150 account in the category of national security expenses. Even

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Inter-American Foundation; African Development Fund; Treasury Technical Assistance; International Organizations and Programs; International Financial Institutions; OPIC; and Trade and Development Agency.

though it is now included in the Budget Control Act as security, it is unlikely that competing against defense for scarce resources will be productive.

The House Appropriations Committee also short-changes development accounts vis-à-vis security in 2012. The Development Assistance account was cut by $850 million compared to the FY2012 request. Other accounts faced similar cuts. The Global Health and Child Survival account was reduced by $1.6 billion; the Economic Support Fund was cut by $1.9 billion; and the Millennium Challenge Corporation was cut by $227 million.

Congress has remained silent on the issue of leadership; however, proposed cuts to USAID administrative accounts, as discussed below, will seriously hamper USAID's ability to lead and implement aid programs.

Recommendations:

Submit a Unified National Security Budget. The administration should separately present a 2013 national security budget so that the connections of a 3D approach are explained and defended. Congress should consider how diplomacy, development, and defense work together in support of foreign policy goals, and should not automatically privilege one over others.

Extend Period in which to Obligate Funds. Within the 3D framework budget, Congress should better appreciate the long-term nature of development by not expecting immediate results. Development accounts should be expanded from having to obligate all funds by the end of the fiscal year (one-year funds) to two-year or more accounts. This would allow for better planning and implementation and prevent scenarios where funds are obligated before projects are fully vetted in order to spend funds before the fiscal year ends.

Designate Lead Development Agency. The administration should designate USAID as the government's lead development agency, or abandon the whole-of-government framework. Having 26 agencies doing development work requires unified leadership if there is to be effective coordination and coherence to development policies. If USAID is the government's lead development agency, then health programs should be managed by USAID, including GHI and PEPFAR.

2. Strengthen USAID **Progress:** 

Both the PPD and QDDR commit to strengthening USAID as the country's lead development agency by providing it with more expertise and staffing. Internal reforms, as embodied in USAID Forward, include the (re)creation of its policy and budget offices.

Evidence of this should show up in several areas: a) funding for USAID's administrative accounts including its Operating Expenses (OE) account; b) a continued commitment to the Development Leadership Initiative (DLI); and c) appropriate staffing to ensure effective leadership of FTF.

Table 2. Foreign Operations Administrative Accounts, FY2010–FY2012 Request (in millions U.S. dollars)

Foreign Operations Administrative Accounts	**FY2010 Base**	**FY2011 Request**	**FY2011 Estimate**	**FY2012 Request**
USAID Operating Expenses	1,388.8	1,476.0	1,350.0	1,503.4
USAID Capital Investment Fund	185.0	173.0	130.0	189.2
USAID Inspector General	49.9	46.5	45.0	51.5

a) *Solid commitment to increasing USAID's operating capacity.* The OE account requests show a steady increase in funds over the last three years at least partially reflecting the DLI that began in 2008.

b) *Staffing continues to be restored.* The intent of DLI is to increase the ranks of USAID staff that had dwindled from 6,959 direct hires in 1970 to 2,398 in 2005.[6] The 2012 DLI request would allow for the hiring of 95 mid-level Foreign Service officers to staff presidential initiatives related to food security, global health, climate change, and activities in front-line states.[7] Funding for DLI in 2010 was $165 million, increasing to $359 million requested for 2012. The QDDR endorsed a reform initiative of Administrator Shah, USAID Forward, to "change the way the Agency does business." It has seven components: procurement reform, human resources reform, creation of a policy and planning bureau, new monitoring and evaluation protocols, creation of a budget office, and a renewed focus on science, technology and innovation. Funding for USAID Forward would total $379 million in 2012, with most of that funding covering the costs of the DLI, compared to $165 million in 2010.

[6] USAID, "Supporting the USAID Mission: Staffing and Activities From Inception to Present Day," November 27, 2007.

[7] The Congressional Budget Justification includes a notional list of new officers: 30 controllers, 15 agriculture officers; 5 economists; 5 engineers; 5 education officers; 10 crisis, stabilization and governance officers; and 25 contract officers.

c) *Expertise is increasing.* With USAID assuming leadership of FTF, the need to increase expertise in food security comes into sharper focus. The agency's in-house expertise in agriculture had been allowed to dwindle to about 16 staff by 2008. USAID's goal is to hire 105 new agriculture officers by 2013. By May 2011, 56 had been hired.[8] The agency has also created a new Bureau for Food Security, appointed a Deputy Coordinator for Development to oversee FTF, and designated a point person in each FTF overseas post.

Congressional Response*:* Cuts to the OE request in 2011 may stall progress on DLI. 2011 funds were designated to bring in a new DLI class of 200 with a focus on financial management and contracting. The latter is critical if USAID is to make progress on a USAID Forward commitment to reform the procurement process. For 2012, the House spending bill cut USAID's operating expense account by $365 million, a third of its budget. This level will seriously undermine the agency's ability to continue the DLI program and to augment its staffing and expertise on food security. Congress has signaled that it wants USAID to more directly manage its aid programs rather than contracting them out to implementing partners through large contracts and grants, but USAID will be unable to manage programs if its operating expenses are cut to the degree being considered by Congress.

Recommendations:

Maintain OE Funding. Congress should maintain a level of OE funding at $1.4 billion so that USAID can build its capacity to fulfill its mission. This is less than the 2012 request and just slightly more than the 2011 appropriation. This level of funding will allow USAID to proceed with critical internal reforms and to augment its staffing resources, while still forcing the agency to prioritize its spending.

Or Allow More Budget Support with Monitored Outcomes. If Congress is unwilling to maintain OE funding, then it needs to accept that government-to-government programs, an approach it has previously limited, may be the most cost-effective way to manage aid dollars. The Cash on Delivery approach, with assistance provided as the recipient country achieves agreed-upon benchmarks, is an innovative way to help ensure compliance and agreed-upon development outcomes.[9]

[8] The Chicago Council on Global Affairs, Global Agricultural Development Initiative, "2011 Progress Report on U.S. Leadership in Global Agricultural Development, May 2011.

[9] For more information on the Cash on Delivery approach to foreign aid, see http://www.cgdev.org/section/initiatives/_active/codaid.

Establish a USAID Working Capital Fund. Congress should agree to the administration's request for a working capital fund that will allow the agency to more easily and effectively implement procurement reform and realign its workforce accordingly.

3. Focus and Selectivity **Progress:** 

Both the PPD and QDDR recommended that there be more focus and selectivity in U.S. aid programs. Focus and selectivity can be seen in several ways: a) a reduction in the number of countries receiving aid, a reduction in aid as countries move into higher income categories, or a recognition that some countries are not in a position to benefit from assistance; b) resources focused in a smaller number of sectors identified as crucial for economic growth; and c) a selectivity around high-impact initiatives.

a) *The number of countries in which the U.S. provides aid has not been measurably scaled back.* The PPD stressed the need for aid programs to be more selective and focused. There is uneven evidence that the budget shows much focus on what the U.S. does or selectivity in where it makes investments. The accounts managed by USAID do show an attempt to scale back or end programs in some countries and to instead focus resources on FTF and GHI countries. Some countries would see increases, particularly those that are special initiative countries. Thirty-four countries would receive increases, ranging from 5 percent to a doubling in a few countries. Of these, 7 are GHI countries, 17 are FTF, and 15 are PEPFAR (several have more than one designation).

Global Health and Child Survival (GHCS), the health account managed by USAID, largely funds general health and nutrition activities while the State Department's health account funds PEPFAR. The USAID fund shows six countries that received aid in 2010 have been zeroed out in 2012. Health aid was reduced by more than 40 percent in another six. Of the 18 that would see cuts, only 3 are PEPAR focus countries and 2 are FTF.

Health funds are spread among a long list of countries with a sizeable number receiving relatively small amounts. Fourteen would receive roughly $3 million or less, signaling a lack of focus with some receiving very small amounts ($200,000 for Turkmenistan). This raises the question of whether such annual amounts are able to accomplish much, and indicate that aid is being provided for a diplomatic rather than development purpose.

Table 3. Countries with Decreases in Global Health and Child Survival (USAID) Funding

Countries with GHCS (USAID) Funds Zeroed Out in FY2012	**Countries with GHCS (USAID) Cuts of 40% or more in FY2012**
Armenia (M)	Afghanistan (-99.5%) *
Azerbaijan	El Salvador (P) (-44%)
Brazil	Nicaragua (F,M) (-46%)
Djibouti	Pakistan (-93%) *
Namibia (M,P)	Peru (-50%)
Paraguay	Turkmenistan (-67%)

(M=MCC; P=PEPFAR; F=FTF; G=GHI countries)

* Health funds from all accounts for Afghanistan actually increase with a near tripling in ESF funds for health activities. Most health funds for Pakistan are from the ESF account, which falls from $192 million in 2010 to $120 million in 2012.

The State Department–managed health account, managed by the Office of the Global AIDS Coordinator (OGAC), shows less focus. Of the 54 countries receiving assistance from this account, none are zeroed out. This could be because previous commitments to provide life-saving antiretroviral treatment must continue in order to be effective. On the other hand, seven of the eight countries identified for decreases are PEPFAR countries, some with very high prevalence rates such as Botswana, Namibia, and Rwanda.

Again, several countries receive very small amounts of funding. This suggests that funds are being provided for a diplomatic rather than a development purpose. For example, Turkmenistan would receive $75,000, Belize $20,000, El Salvador $20,000, and Peru $50,000.

Like USAID's health account, **Development Assistance** (DA) shows better focus with funds zeroed out for 16 countries, while 8 would see their allocation cut by 25 percent or more. Of the 21 countries that receive increases, 12 are FTF countries and 8 are GHI countries (7 are both). FTF countries see significant increases in DA funds, ranging from an increase of 17 percent for Kenya to 132 percent for Tanzania. Only two FTF countries—Liberia and Nicaragua—would see their DA funds decrease.

Table 4. Countries with Decreases in Global Health and Child Survival (State) Funding

Countries with GHCS (State) Cuts in FY2012	**Countries with GHCS (State) Funding under $500,000 in FY2010 & FY2012**
Botswana (P) (-7.1%)	Afghanistan
Guyana (P) (-18.2%)	Belize
Namibia (M,P) (-1.3%)	El Salvador (M, P)
Russia (P) (-33.3%)	Jamaica
Rwanda (F,GH.P) (-3.3%)	Kyrgyz Republic
Senegal (F,M) (-13.2%)	Madagascar
South Africa (P) (6.6%)	Peru
Vietnam (P) (-10.5%)	Sierra Leone
	Thailand (P)
	Turkmenistan

(M=MCC; P=PEPFAR; F=FTF; G=GHI countries)

Table 5. Countries with Decreases in Development Assistance Funding

Countries with Zero DA Funds in FY2012	**Countries with DA Cuts of 25% or more in FY2012**
Algeria	Angola (P) (-42%)
Benin (M)	Bolivia (-76%)
Burkina Faso (M)	Brazil (-29%)
Cameroon	Burundi (-61%)
Chad	Djibouti (-63%)
China (P)	Dominican Republic (P) (-26%)
Guyana (P)	Guinea (-59%)
Liberia (F)	Nicaragua (F, M) (-27%)
Madagascar	
Mauritania	
Mauritius	
Niger	
Panama	
Sudan (P)	
Togo	
Yemen	

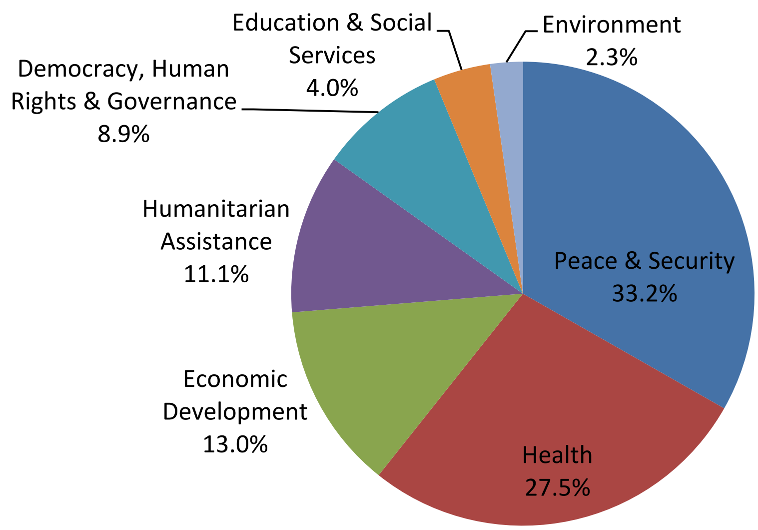
(M=MCC; P=PEPFAR; F=FTF; G=GHI countries)

Congressional Response: Congress has not endorsed greater focus and selectivity based on the extent of country and program directives included in appropriations bills. In fact, continued congressional earmarks for specific countries make ending programs difficult, and successive administrations have done poor jobs in phasing out programs that have run their course.

b) *Key sectors have been identified, but reorienting programs has not been fully accomplished.* Both the PPD and QDDR stressed the importance of investing in economic growth and democratic governance. While there are many components to promoting economic growth, the category that USAID defines as such would receive a reasonable 13 percent, the third-highest-funded sector. Democratic governance, on the other hand, receives a low share of 2012 funding (8.9 percent).

According to USAID's Dashboard database, U.S. foreign assistance is allocated among seven categories. The 2012 budget proposes 33 percent for security, 28 percent for health, 13 percent for economic development, and 11 percent for humanitarian assistance. Funding for the three remaining sectors—democracy and governance, education, and environment—all fall below 9 percent.

Figure 4. USAID and State Department Aid, FY2012



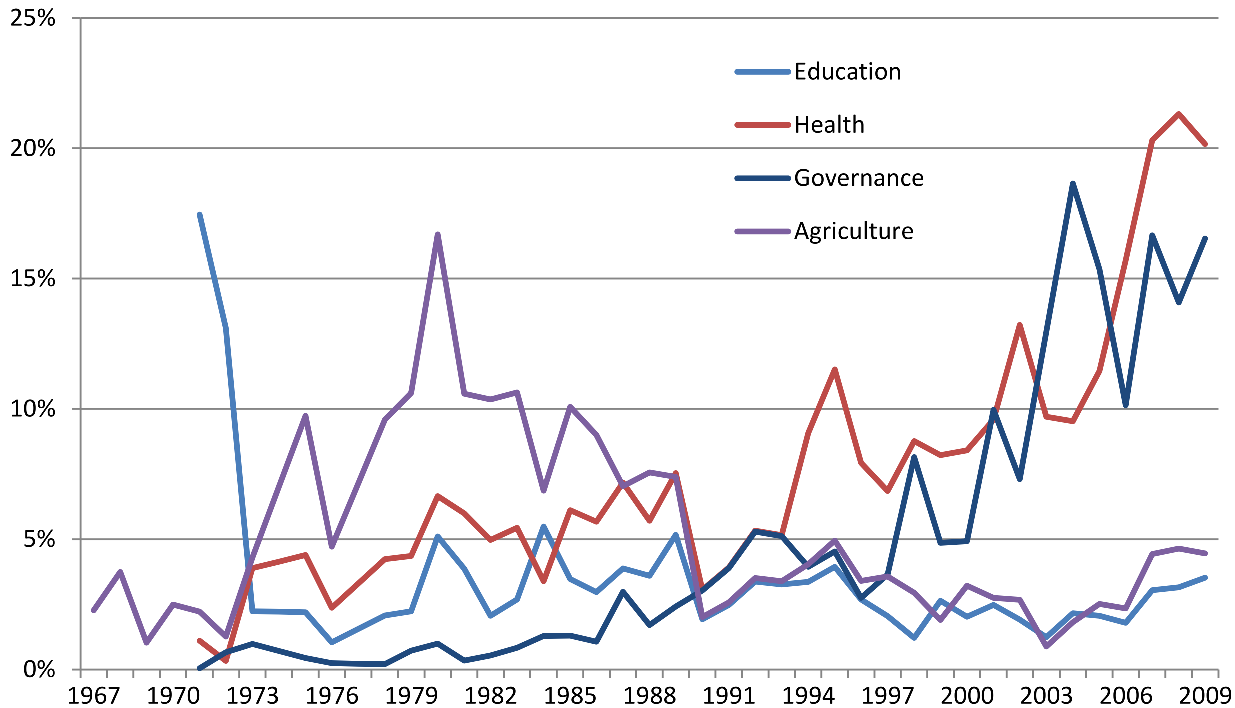
Source: Foreign Assistance Dashboard, FY2012 Request.

The small amount for economic development may be misleading. Its share depends on its definition as a sector devoted to improving government policies, the fiscal and business environment, and trade and investment. If it were treated as a wider category that also includes agriculture, infrastructure, and the environment, as the

State Department's F process defines it, economic growth funding would be 15 percent.[10]

Sector distribution has varied over time as development approaches go in and out of favor. For example, democratic governance programs remained under 5 percent of U.S. Official Development Assistance (ODA) until the late 1990s, but have become more of a focal point as advocates argue for the value of good governance in achieving development outcomes. Agriculture funding has varied from 17 percent in 1980 to less than 5 percent in 2009. Health programs averaged around 6 percent until the mid-1990s and now comprise about 20 percent.

Figure 5. Sector Funding Shares, 1967–2009



Source: OECD/DAC. Selected sector funding as a percentage share of total U.S. ODA commitments.

[10] The State Department's F process established five objectives, one of which is Economic Growth which includes the following elements: macroeconomic foundation for growth; trade and investment; financial sector; infrastructure; agriculture; private sector competitiveness; economic opportunity; and environment. USAID's Dashboard database uses these categories: Peace and Security; Democracy, Human Rights and Governance; Health; Economic Development; Environment; Education and Social Services; and Humanitarian Aid.

Congressional Response: Congress has a history of earmarking funds by sector, a tradition that has increased over the years. In the 2010 appropriations bill, Congress assigned dollar amounts for activities relating to water, education, climate change, microenterprise, food security and agriculture, and various diseases. Climate change funding was further earmarked with specific amounts for adaption, clean energy, sustainable landscapes, and biodiversity. The practice continues: the House Appropriations Subcommittee for State and Foreign Operations included $7.2 billion in sector earmarks in its 2012 spending bill.

c) *Focus and selectivity in special initiatives is evident around FTF, GHI, and perhaps PfG.* The QDDR identifies areas of U.S. comparative advantage for greater focus: food security, global health, climate change, economic growth, democracy and governance, and humanitarian assistance. The PPD notes that three presidential initiatives—FTF, the GHI, and the Global Climate Change Initiative—represent the leading edge of the administration's reform principles. While some of these areas cut across multiple sectors, they are still largely identified with three predominant sectors: agriculture in food security, health in the global health initiative, and environment in climate change.

Feed the Future

The budget request shows a focus of resources around food security in the identification of countries and in levels of funding. A total of $1.56 billion is requested for 2012. Assistance for food security has been steadily increasing since 2009 in response to global price spikes that began in 2007 and continued into 2009. After a short lull, prices are once again climbing and causing significant concern about food access and availability, with famine conditions occurring in the Horn of Africa. While funding has increased significantly, there is some doubt about its sustainability at those levels. Bilateral aid has nearly tripled since reaching a low point in 2008, but anticipated cuts in the DA account, from which bilateral FTF is funded, will continue exerting downward pressure on resources.

Of the 20 countries selected as FtF countries, 12 are in Africa, 4 are in the Western Hemisphere, 3 are in South Central Asia, and 1 is in East Asia and the Pacific. These countries were selected based on five factors related to the opportunity for promoting food security: level of need, opportunity for partnership, potential for agricultural-led growth, opportunity for regional synergies, and resource availability.

Figure 6. Food Security: Request versus Appropriation

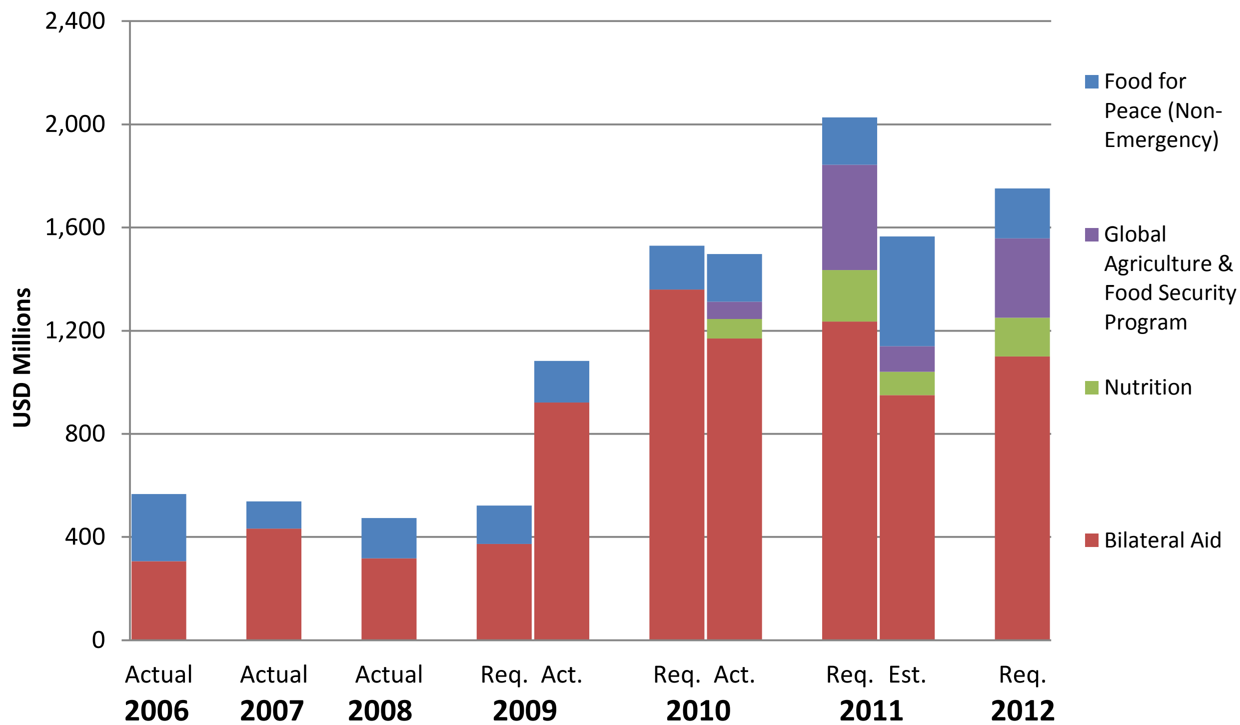


Table 6. Feed the Future Countries and Funding Levels (in millions U.S. dollars)[11]

	Country	FY2010 Actual	FY2011 Request[12]	FY2012 Request
PHASE I	Cambodia	7.0	15.0	8.0
	Ethiopia	29.0	33.0	29.0
	Guatemala	13.0	24.1	13.0
	Haiti	88.0	35.7	35.7
	Mozambique	13.0	14.8	10.0
	Nepal	9.0	12.0	10.0
	Nicaragua	5.0	16.5	5.0
	Senegal	28.3	47.0	28.0
	Tajikistan	11.6	11.56	11.56
	Zambia	18.0	22.9	15.0

[11] Phase II countries are defined as those that are most ready for large-scale investments having worked with the United States in developing country investment plans (CIPs). Phase I investments are intended to prepare countries for Phase II by working on CIPs.

[12] At the time of publication, estimated FY2011 country-level allocations for Feed the Future were not available.

Table 6 continued

PHASE II	Bangladesh	15.0	30.0	70.0
	Ghana	33.0	42.0	60.0
	Honduras	10.0	20.3	20.0
	Kenya	29.0	29.0	29.0
	Liberia	22.1	28.1	17.0
	Malawi	12.0	22.9	19.0
	Mali	27.0	47.0	33.8
	Tanzania	15.0	63.0	60.0
	Rwanda	25.0	47.0	47.0
	Uganda	29.8	36.8	47.0

Partnerships for Growth

One promising outcome of the PPD is the Partnership for Growth model. It has been described as a framework for engagement that is designed to promote economic growth through a number of mechanisms, rather than an exclusive reliance on assistance. The 2012 budget identifies four PfG countries – Ghana, Tanzania, the Philippines, and El Salvador. Interagency teams are working with government officials in those countries to conduct constraints-to-growth analyses that will drive priorities for policy reform and investments. While the framework's premise is that development is about more than foreign aid, the budget proposes increased funding and focus in all four countries. All four have MCC compacts; Ghana and Tanzania are also PEPFAR and Feed the Future focus countries. None are GHI countries.

Table 7. Partnerships for Growth Countries and Special Initiatives (in millions U.S. dollars)

	FTF	PEPFAR	MCC	FY2010 Enacted	FY2012 Request	% Change	Account with Largest % Increase
El Salvador			X	$31.2	$35.5	+14%	DA
Ghana	X	X	X	$139.9	$204.5	+46%	DA & GHCS
Philippines			X	$144.4	$163.7	+13%	DA
Tanzania	X	X	X	$463.8	$571.9	+23%	DA

Source: Congressional Budget Justification, Foreign Operations, FY2012, Regional Perspectives.

Congressional Response: The PfG model is not necessarily dependent on more funding, so Congress has not had an opportunity to endorse or reject the approach. Although briefly mentioned in the 2012 budget, very little information has been made available.

Recommendations:

Reevaluate and Eliminate Small Programs. Development objectives should drive greater selectivity in the number of countries in which the United States provides assistance. Following the MCC and Partnership for Growth (PfG) models, the United States should engage with those countries that are most willing to partner on achieving development objectives. The State Department and USAID should not shy away from ending programs elsewhere. Small aid programs that are used as deliverables to maintain friends and allies are not likely to have a significant development impact, although they may have a diplomatic one. Aid programs in 41 countries would receive less than $5 million in the 2012 request.[13] These should be scrutinized for termination.

Create a State Department Aid Account for Strategic/Political Purposes. Development assistance should not be given for diplomatic purposes. Diplomatic objectives should be pursued with diplomatic tools, and their success judged accordingly. Development programs implemented for diplomatic reasons may simultaneously be diplomatic successes and development failures. But because program funds are drawn from development accounts, they are judged as failures. Policymakers should consider making development and diplomacy distinct through the creation of a State Department aid account, similar in purpose to ESF, which is to support countries of strategic value to the United States that might not otherwise qualify for aid. The existing ESF account is co-managed by State and USAID, but ESF-funded activities are often of a development nature, which blurs the line of distinction between development and diplomacy. A new account would respond to State's need for deliverables. This could be accomplished by merging ESF funds for development into USAID's DA account and giving full control to the State Department of the ESF account.

Eliminate Earmarks. Congress should eliminate hard earmarks of country and sector allocations. Agencies will be unable to be selective and focused if individual members of Congress are allowed to protect some countries over others. Likewise, the ratio of sector directives does not reflect need, country ownership, or sound development policy that is evidence-based. Congress has many other mechanisms, both formal and

[13] They are: Algeria, Argentina, The Bahamas, Belize, Cape Verde, Central African Republic, Chile, Comoros, Costa Rica, Croatia, Cyprus, Estonia, Gabon, Greece, Guinea-Bissau, Hungary, International Fund for Ireland, Latvia, Libya, Lithuania, Malaysia, Maldives, Malta, Marshall Islands, Mauritius, Micronesia, Panama, Portugal, Republic of the Congo, Samoa, Sao Tome and Principe, Seychelles, Singapore, Slovakia, Slovenia, Suriname, Taiwan, The Gambia, Togo, Trinidad & Tobago, and Uruguay.

informal, to express its preferences. One approach is to convert hard earmarks to soft ones (by changing “shall” to “should”). Congress is also able to assert its preferences through report language and the 653(a) process of country and account allocations.[14]

*Focus on a Smaller Number of Objectives or Programs that Have a Large Impact***.** In the past decade, a consensus has developed around the goal of promoting economic growth. How to achieve that objective may differ depending on the country or region, and strategies should be tailored to need. Nevertheless, U.S. programs should focus on areas of comparative advantage. If a consensus on economic growth holds, then there needs to be a better integration of sector programs to support growth. Food security has recently been adopted anew as a multisector approach with agriculture seen as a driver of economic growth, but it is unclear how deeply health or governance programs are integrated into the economic growth objective.

The PPD and QDDR prioritize economic growth through programs in health, food security, democratic governance, and women. If policymakers agree that these are the areas of U.S. comparative advantage, then unrelated programs should be phased out or reoriented.

Unveil PfG. This holistic approach to redesigning how the United States does development should continue to be piloted with the goal of using it to reorient all U.S. development policies. Before that can happen, the administration needs to publicly unveil it and convince Congress that it is a viable and cost-effective approach.

4. Science/Technology/Innovation **Progress:** 

The budget prioritizes STI investments. Both administration studies identified science, technology, and innovation (STI) as effective areas for resource investments. The budget includes $333 million mainly from USAID’s DA account for new and existing programs. It is difficult to compare the 2012 STI request to previous years when it was not an area of special interest. Historically, science programs have had longstanding funding, such as with the Consultative Group on International Agricultural Research and the Collaborative Research Support Program.

The 2012 budget, however, aims to give STI more prominence as a development approach. USAID’s Development Innovation Ventures, funded at $33 million in the FY2012 request, provides small competitive grants for innovations and resources for

[14] Section 653(a) of the FAA requires that the administration notify the appropriations committees of country and account allocations within 30 days of the spending bill’s enactment. The process has evolved to a negotiation between the administration and the committees in interpreting congressional directives.

testing and scaling up those that seem promising. In partnership with the Bill and Melinda Gates Foundation and others, USAID has also launched Grand Challenges for Development to focus attention on specific development outcomes. Saving Lives at Birth, the first Grand Challenge, recently awarded seed grants to 19 award nominees.

Congressional Response: Congressional cuts to the DA account will make it difficult to justify increased funding for STI until and unless there is evidence of impact.

Recommendations:

Extend the Concept of Country Ownership to STI. Creating donor-host partnerships around a common research agenda could provide reciprocal benefits. American universities have experience in international work, but their partnerships with universities in developing countries could be strengthened and better centered on the objectives articulated in country development strategies.

Evaluate the Government's Role in Funding Innovations Relative to the Private Sector. There should be a clear delineation of the government's role vis-à-vis the private sector in providing seed funding for development innovations.

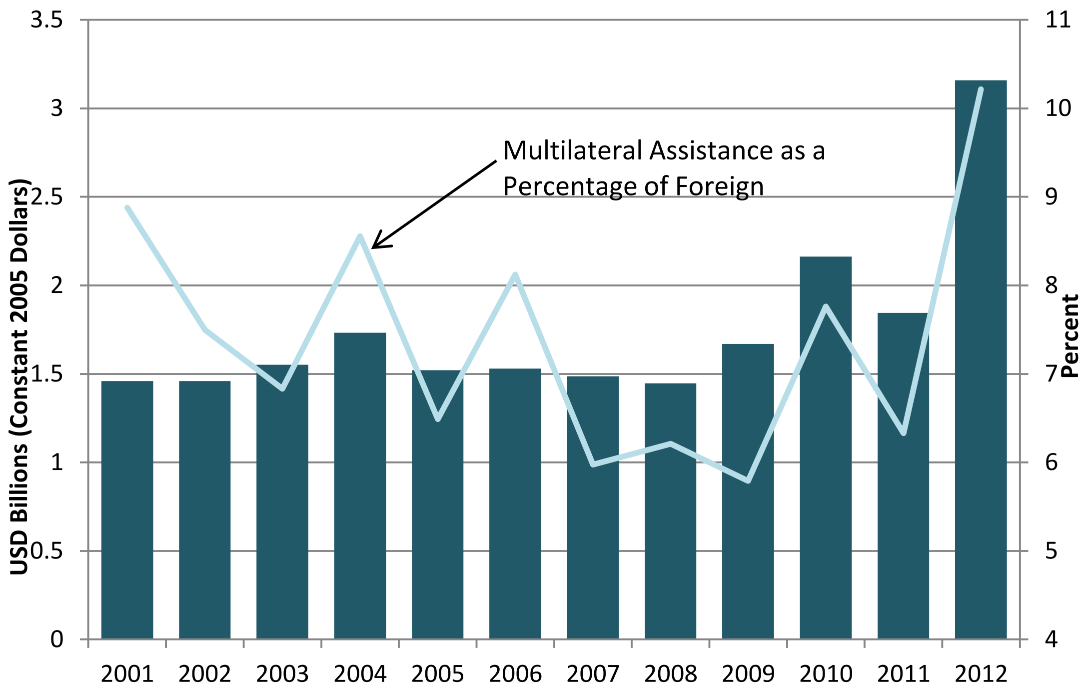
5. Enhanced Multilateralism **Progress:** 

The budget shows an increase in multilateral mechanisms. The largest portion of U.S. assistance has traditionally been in the form of bilateral aid. The PPD and QDDR both recommend a greater use of multilateral mechanisms in order to leverage U.S. foreign assistance. The 2012 budget recommends that 10.2 percent of the total aid budget be in the form of multilateral aid.[15] This amount is significantly higher than in 2010 when it represented 6.3 percent of U.S. foreign assistance. However, it should be noted that the 2012 request includes two new replenishments to the International Development Association and the African Development Fund, as well as general capital increases to multilateral development banks following their responses to the global financial crisis.

The Global Agriculture and Food Security Program (GAFSP), implemented by the World Bank, serves as an example of increased multilateralism. In FY2010, GAFSP received a $67 million allocation; in the FY2011 budget deal, the amount increased to $100 million and the FY2012 request includes $308 million for GAFSP. Likewise, U.S. contributions to the Global Fund to Fight AIDS, Tuberculosis and Malaria have steadily increased with funds topping $1 billion in FY2010 and FY2011.

[15] Includes funding for voluntary contributions to International Organizations and Programs (IOP) and international financial institutions.

Figure 7. U.S. Multilateral Assistance, FY2001–FY2012



Congressional Response: Congress has generally questioned the value of international institutions, most often reflected in negative attitudes toward the United Nations. Individual multilateral institutions have fared better than others, with higher levels of confidence in the World Food Program and the Global Fund to Fight AIDS, Tuberculosis, and Malaria, for example, where it is recognized that U.S. dollars are leveraged for greater impact. Other congressional critics believe that the United States does not get enough public relations credit for multilateral contributions as it does for its visibly branded bilateral efforts and that the U.S. loses control over how funds are spent.

Recommendations:

Increase Multilateral Share. At a time when budgets are being scrubbed and programs prioritized for the best value for money, Congress and the administration should invest a greater share of resources in multilateral institutions. With regard to international financial institutions, for example, U.S. contributions leverage significant amounts of additional lending. A contribution of $1 to the IBRD enables $30 in new lending, and a $1 contribution to the African Development Bank enables $70 in additional lending.[16] The administration can do a better job of justifying expenditures based on investments having the best support for U.S. foreign policy goals.

[16] "Billions More for International Institutions? The ABCs of the General Capital Increases," Todd Moss, Sarah Jane Staats, and Julia Barmeier, Center for Global Development, 2010.

6. Country Ownership **Progress:** 

The concept of country ownership has been integrated into many U.S. programs. Both administration studies endorse a greater role for poor countries to direct their own development and to work in partnership with donors toward that end.

The Millennium Challenge Corporation (MCC), created during the Bush administration, continues to exhibit a good approach to country ownership.[17] Despite being at the vanguard of development best practice, the MCC's funding levels have steadily decreased. In FY2010, Congress appropriated $1.1 billion to the MCC, and in the FY2011 deal the MCC received $900 million. The FY2012 request of $1.1 billion represents the lowest request in the MCC's history. The MCC is currently developing compacts with Indonesia, Zambia, Cape Verde, Georgia, and Ghana. Low funding levels have the potential to hinder the development and implementation timeline of these future compacts.

Outside of the MCC, the most evident manifestation of country ownership is the FTF and PfG programs in which country strategies reflect recipient country input. FTF now includes 20 countries that are in some phase of crafting country strategies. In Africa, FTF benefitted from the Comprehensive Africa Agriculture Development Programme (CAADP) process in which countries commit to a level of spending on agriculture and the development of a CAADP endorsed strategy. As discussed earlier, PfG is working in partnership with four countries to identify constraints to growth and to develop corresponding strategies.

Congressional Response: A full endorsement of country ownership is made difficult by continued congressional earmarking of country and sector funding. In the 2010 appropriations bill, Congress earmarked 66.5 percent of development funds by sector. These decisions were made without any indication that the ratio of 3 percent water, 10 percent food security, and 65 percent health, for example, reflect the needs of poor countries or their own development preferences.

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[17] The MCC approaches country ownerships through collaboration on compact (large, five-year grants) development with its partner countries. An eligible country submits a compact proposal based on country priorities and need. The MCC applies rigorous beneficiary analyses to these proposals. The MCC and partner country then agree upon final projects and the compact's framework.

Recommendations:

Swap Earmarks for Reviews. Congress should eliminate earmarks of country and sector allocations. In exchange, Congress and the administration should create a process for the appropriate congressional committees to review country strategies. Such a process would allow for congressional preferences to be expressed and taken into account while at the same time providing administrations with the flexibility to work with partner countries in designing appropriate strategies.

7. Monitoring and Evaluation **Progress:** 

Monitoring and Evaluation has been prioritized and implementation is underway. Both studies concluded that the United States needs to do more rigorous evaluation of its aid programs in order to better ensure value for money. While USAID had traditionally been a world leader in evaluation and analysis of the effectiveness of aid approaches, deep budget cuts in the 1990s seriously deteriorated this capability.

With a new evaluation policy framework released in January 2011, USAID has committed to conducting rigorous evaluations of the majority of its program resources. Administrator Shah has directed that all major programs will be independently evaluated, ending the practice whereby the main source of review came from aid grantees evaluating their own programs. For 2012, the administration has requested nearly $20 million for performance monitoring and evaluation and for implementation of a new evaluations framework developed last year.

Congressional Response: Reform legislation in the 111th Congress endorsed a greater focus on monitoring and evaluation, although neither bill was enacted.[18] Despite the interest of relevant committees, it may be difficult to maintain an evaluation agenda in the face of budget cuts.

Recommendations:

Make Evaluation a Priority. Understanding what works and focusing resources there depends on the full implementation of an evaluation framework and the political will to allocate resources where the evidence shows success is the most likely. A strong USAID budget office is necessary to marry evidence with resource allocation. This requires that budget resources for USAID internal reforms, in the form of USAID Forward, be maintained, and that funding for Operating Expenses not be gutted.

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[18] S. 1524, the Foreign Aid Revitalization and Accountability Act and H. 2139, Initiating Foreign Assistance Reform Act of 2009.

Allocate Resources where There Is Evidence of Success and Value for Money. The administration should be proactive in selecting and prioritizing certain approaches or sectors, and ending funding for others, decisions that should be based on the evaluation of outcomes. As discussed earlier, this also would require that Congress give the State Department and USAID the flexibility to reorient programs by decreasing or eliminating the numerous country, sector, and program directives in appropriations bills.

Conclusion: Aid Reform in Times of Budget Austerity

Managing foreign assistance programs in the face of anticipated deep cuts to the foreign operations budget can be approached in two ways: a commensurate reduction in all programs and country allocations, or a major reorientation of approach and focus. The former would involve spreading the pain around but would most certainly dilute effectiveness and not deal with underlying long-standing structural problems in the U.S. aid program. It would not accomplish high-impact development and would perpetuate a major criticism of U.S. aid programs: that the U.S. tries to do too much in too many places, without accomplishing much.

The alternative—a major reorientation—would likely be politically challenging given Congress's tendencies to insert program and country directives even as it cuts funding. Conversely, it would potentially make aid more effective where those remaining resources are focused.

Engaging with Congress on a new Foreign Assistance Act that is more selective and focused on U.S. priorities and comparative advantage would help to build a necessary consensus to carry aid policy forward for decades to come. The White House and Congress need to agree and then focus on a smaller number of objectives or programs that have the largest impact.

These recommendations could better reorient U.S. aid programs around effectiveness in a period of constrained resources while maintaining the U.S. commitment to be a global development leader. Aid alone is not the answer to development; non-aid tools can be powerful by themselves or when paired with assistance. A reorientation of aid, such as proposed here, would be most effective when accompanied by reforms in U.S. policies related to trade, migration, and diplomacy, among other policy areas. In the end, the current budget debate, with its likelihood of additional cuts, could offer more opportunities for serious reforms than periods of increasing budgets. The key is to not squander the opportunity by taking the easier route of spreading smaller cuts across all programs.

Appendix A.

The President's Policy Directive on Global Development

The administration released the PPD on September 22, 2010. After nearly one year of study involving all U.S. government agencies engaged in some type of foreign assistance or development work, the study outlined a number of principals to guide how the U.S. government engages in global development. The main elements are below:

- **Elevate development** as a core pillar of American power.
- Focus on sustainable development outcomes through broad-based **economic growth** and **democratic governance.**
- Be more **selective** in providing aid to **countries** where conditions are conducive to U.S. assistance producing successful outcomes, and in the **sectors** in which the United States invests resources.
- Enhance the use of **multilateral** vehicles and international organizations.
- Increase investments in development-focused **innovation, technology, and research**.
- Increase **public sector capacity** of nations to meet the basic human needs of its citizens.
- Adhere to **country ownership** while holding recipients **accountable** for achieving development results.
- Institute rigorous **evaluation** of impact and transparent reporting of results.
- **Rebuild USAID** as the government's lead development agency.
- Continue building the capabilities of the **Millennium Challenge Corporation (MCC).**
- **Leverage U.S. leadership** amongst global partners in the **private sector** to produce better development outcomes.
- Consider the development impact of U.S. **trade policy** changes in tandem with the U.S. Trade Representative's office.
- Draw on the **contributions of other agencies** across the U.S. including the Departments of Agriculture, Health and Human Services, Justice, Labor, Commerce, and Treasury.
- Ensure U.S. development **policy coherence** through a quadrennial U.S. global development strategy, quadrennial diplomacy and development review, and an interagency policy committee on global development.
- Work closely with **Congress** to establish a shared vision of U.S. global development strategy.

The PPD also points to three administration initiatives—Feed the Future (FTF), the Global Health Initiative (GHI), and the Global Climate Change Initiative (GCCI)—as reflecting many of the core elements of the PPD.

Appendix B.

The Quadrennial Diplomacy and Development Review

The QDDR, a review of all diplomatic and development activities conducted by the State Department and USAID, was released on December 15, 2010. It sought to strengthen the use of civilian power—diplomacy and development—to advance national interests. Perhaps reflecting the earlier release of the PPD, in which both the State Department and USAID participated, the QDDR too endorsed the elevation of, and a whole-of-government framework for, development. The main elements of the QDDR are below:

- **Elevate development** to equal status with diplomacy and defense.
- **Focus** investments in areas of U.S. comparative advantage: food security, global health, climate change, economic growth, democracy and governance, and humanitarian assistance.
- Invest in **high-impact development** that promotes **sustainable, systemic** change**.**
- Incorporate the concept of **country ownership** in U.S. development strategies.
- Strengthen **monitoring and evaluation.**
- Invest in **innovation** through, for example, a new USAID Development Laboratory and Development Innovation Venture Fund.
- **Strengthen USAID** via rebuilding expertise, improving operations, organizational restructuring and reforms (USAID Forward), and leadership of Feed the Future.
- Emphasize the empowerment of **women and girls**.
- Develop multiyear **Integrated Country Strategies** led by the Chief of Mission and composed by interagency teams in the field.
- Implement a **lead agency approach** for humanitarian, emergency, and conflict response with State in lead for political and security crises and USAID in lead for humanitarian crises. Create **capacity** for USAID to bridge the gap between crisis and stabilization assistance and long-term development.
- Implement a **whole-of-government** framework through a new International Operational Response Framework.
- Replace Civilian Reserve with **Expert Corps**.
- Improve **donor cooperation** with allies and multilateral organizations.
- Build relations with **emerging markets** and expand U.S. capacity to enable cross-cutting **regional engagement**.
- Embrace the private and civic sectors to expand and streamline the **public-private partnership** process.
- Transition to a **multiyear budget** formulation that better aligns with country strategies.
- Work with interagency partners toward a **national security budgeting** process.