



**New Day  
New Way**

**U.S. Foreign Assistance  
for the 21st Century**

A PROPOSAL FROM THE MODERNIZING FOREIGN ASSISTANCE NETWORK

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# Executive Summary

U.S. foreign assistance—the rationale behind it, the amount we give, its orientation and organization—has changed dramatically in the last decade. These changes have challenged its efficacy but have also created new opportunities to modernize U.S. foreign assistance. The importance of supporting development and reducing poverty abroad are understood now as never before to be both moral imperatives and prerequisites for sustained U.S. national security

Since its origins after World War II, U.S. foreign assistance has served our national interests in three fundamental ways: enhancing national security, expanding global economic opportunities, and promoting American values. These interests are mutually reinforcing, and when the U.S. pursues them each strategically and in tandem it positions itself as a pragmatic and principled world leader.

The international and domestic challenges of the 21st century—including transnational threats such as economic instability, terrorism, climate change, and disease—cannot be met with a foreign assistance apparatus created to confront the challenges of the 20th century. America's reputation abroad cannot be restored without a fresh, smart approach to U.S. foreign policy and engagement in the world. Our defense and diplomatic tools must be strengthened and modernized, and they must be complemented by equally robust tools for development. U.S. global leadership is based not only on our military clout or economic power, but on our moral stature, which derives from helping others improve their lives and those of their communities and societies.

America's foreign assistance system is badly outdated, poorly organized, and generally ill-equipped to meet today's global challenges. This consensus document identifies the challenges and opportunities confronting U.S. foreign assistance and offers recommendations on how best to seize them.

### **Core Principles for Modernizing U.S. Foreign Assistance**

- Elevate global development as a national interest priority in actions as well as in rhetoric;
- Align foreign assistance policies, operations, budgets and statutory authorities;
- Rebuild and rationalize organizational structures;
- Commit sufficient and flexible resources with accountability for results; and,
- Partner with others to produce results.

### **Priority Actions for Modernizing U.S. Foreign Assistance**

- Develop a national strategy for global development;
- Reach a "grand bargain" between the Executive branch and Congress on management authorities and plan, design and enact a new Foreign Assistance Act;
- Streamline the organizational structure and improve organizational capacity by creating a Cabinet-level Department for Global Development, by rebuilding human resource capacity and by strengthening monitoring and evaluation; and,
- Increase funding for and accountability of foreign assistance.

# New Day, New Way: U.S. Foreign Assistance for the 21st Century

U.S. foreign assistance—the rationale behind it, the amount we give, its orientation and organization—has changed dramatically in the last decade. These changes have challenged its efficacy but have also created new opportunities to improve U.S. foreign assistance like no other time since the creation of the Marshall Plan. Additionally, the importance of supporting development and poverty reduction abroad are understood now as never before to be both moral imperatives and prerequisites for sustained U.S. national security.

## **The Rationale for Modernizing U.S. Foreign Assistance**

Since its origins after World War II, U.S. foreign assistance has served our national interests in three fundamental ways: enhancing national security, expanding global economic opportunities, and promoting American values. These interests are mutually reinforcing, and when the U.S. pursues them each strategically and in tandem it positions itself as a pragmatic and principled world leader.

But since September 11, 2001, U.S. foreign assistance has been dominated by national security interests, with a particular focus on fighting terrorism. Security is clearly important, but it should not obscure the equally important imperative of fighting global poverty—which is

itself a means to address the causes of terrorism and conflict, as well as a host of other urgent challenges. This link between development and sustainable national—and, indeed, global—security is increasingly recognized by foreign policy, development, and defense experts, and it must be acted upon. But the link is best understood not only as a rationale for providing foreign assistance to strengthen allies in the “war on terror,” but as a rationale for supporting development because it leads to a world where capable, open, and economically viable states can act in concert to build a better, safer world.

Recent polls show that Americans want their country to engage the world in a more positive way, to be a good global partner that works with others to build a more peaceful and secure world. There is growing awareness that one billion people live on less than \$1 dollar a day, and more Americans than ever before recognize the costs of not sufficiently tackling the challenges of global poverty—war, disease, lack of opportunity, hopelessness. Americans also appreciate the huge successes from investments already made—lives saved, economies growing and integrating into world markets, girls educated.

To meet today’s international and domestic challenges—including transnational threats such as economic instability, terrorism, climate change, and disease—and to restore America’s reputation abroad, our defense and diplomatic tools must be strengthened, but they must also be complemented by equally robust tools for development. U.S. global leadership is based not only on our military clout or economic power, but on our moral stature, which derives from helping others improve their lives and those of their communities and societies.

Investments in health care, education, job creation, infrastructure and other essential services that generate economic growth and reduce poverty overseas are, therefore, also investments in our own future. They are both ends in themselves, reflecting American values, and a means to achieve diplomatic goals, stabilize fragile states, and build democratic institutions. In a world where poverty anywhere threatens prosperity everywhere, foreign assistance is a vital tool for translating our moral beliefs into practical actions, restoring America’s global leadership and realizing our long-term foreign policy goals.

The U.S. foreign assistance apparatus was created in the second half of the 20th century to confront the challenges of that era. Changes to the system over the last several decades have brought more chaos than clarity; the system is badly outdated, poorly organized, and generally ill-equipped to meet today's global challenges. The mission, mandate and organizational structure of U.S. foreign assistance must therefore be urgently and fundamentally reformed. The goals of foreign assistance must be prioritized and articulated in a national Global Development Strategy. Resources must be matched to objectives and results measured and made publicly available. A new Foreign Assistance Act that consolidates the management authorities and legislative oversight of our money spent abroad—both for security- and diplomacy-related assistance, as well as for development assistance—must be enacted.

Finally, while there will always be a legitimate need for security and diplomacy-related foreign assistance under the direction of the State Department, the best way to develop and effectively execute a national strategy for global development is to create a Cabinet-level agency for global development, which would put development on more equal footing with defense and diplomacy, foster greater policy coherence and protect against the subordination of long-term development investments to short-term political objectives. A necessary complement to this new agency is a strong “whole of government” coordination function in the Executive Office of the President.

### **Core Principles for Modernizing U.S. Foreign Assistance**

Any effort to revitalize U.S. foreign assistance should

- Elevate global development as a national interest priority in actions as well as in rhetoric;
- Align foreign assistance policies, operations, budgets and statutory authorities;
- Rebuild and rationalize organizational structures;
- Commit sufficient and flexible resources with accountability for results; and,
- Partner with others to produce results.

**Elevate global development as a national interest priority.** Our efforts to promote global prosperity and reduce poverty should be treated as a principal—rather than subordinate—element of our global engagement and international policies, alongside defense and diplomacy. Adherence to this principle will, over the medium- to long-term, yield real results and serve to demonstrate the U.S. commitment to moral leadership in our interconnected world. Placing development at the center of U.S. engagement with the world also protects against the subordination of long-term investments in development and poverty reduction to shorter-term political objectives. The Bush administration has embraced this idea rhetorically; it must now be translated into action.

Elevating development does not mean forgoing other policy instruments; our foreign assistance efforts should be part of a coherent vision for U.S. engagement with developing countries alongside other instruments of policy including trade, defense and diplomacy. Preserving the missions of each within a broad framework in support of U.S. engagement abroad protects against the incoherence of our current policy (e.g., promoting democracy while shoring up authoritarian regimes; collecting more in import duties from developing countries than we provide in foreign assistance for development), which is severely undermining our efforts.

**Align foreign assistance policy, programs, budgets and statutory authorities.** Foreign assistance is most effective when the decision-making and oversight of policy formulation, budget allocation, program implementation, and legal authorities are closely aligned. That is not the case in the current system. The Cabinet-level policy agencies—State, Defense and Treasury—have a seat at the table of high-level Executive branch decision-making, but the sub-Cabinet level implementing agencies (such as USAID and the MCC) and development professionals often do not, even when development issues are discussed. Meanwhile, development efforts are further complicated by congressional earmarks, presidential or other Executive branch initiatives, and directives and regulations that have little to do with development priorities and undermine our ability to deliver assistance when, where and how it is needed most.



**Rebuild and rationalize organizational structures.** Currently, U.S. foreign assistance is spread across as many as twenty-four government agencies and fifty programs, many with duplicative roles. Within the Executive branch, there is no single person, office or department with a mandate to coordinate these programs, promote policy alignment or, importantly, to be accountable for the efficient and effective expenditure of taxpayer resources. Leadership is clearly needed. As well, a nimble and effective foreign assistance system must be staffed with sufficient numbers of highly-skilled personnel who are coordinated across government, who articulate clear jurisdiction and who are governed by institutional arrangements that ensure transparency, effectiveness and efficiency.

**Commit sufficient financial and human resources and demand results.** To achieve our major foreign policy and long-term global development goals, the United States must commit sufficient resources—including both monetary resources for programs *and* investments in the institutional resources required for successful program implementation, including personnel, infrastructure, training and support. It is critically important that we increase the quantity and rebuild the quality of the human and intellectual capital required to meet our diplomacy, development, conflict and humanitarian needs. A high performing U.S. government civilian development corps, with rapid-response capability and priorities that are aligned with both a national global development strategy and a national security strategy, is an essential complement to a high-performing military force. It is equally important to adequately resource strong and transparent monitoring and evaluation systems to measure and publicly report the impact of our investments against their intended objectives, and to allow for adaptation or change where appropriate.

**Partner with others to produce results.** We face challenges today that are beyond the capacity of any one nation—even the United States—to solve: terrorism, infectious disease, climate change, global economic imbalances. Working in cooperation with other countries, international institutions and civil societies multiplies our strength, expands our options, shares the costs and risks, and leverages our common successes. We live in an interdependent world and thus

need the respect and support of others to safeguard our security, to work together on common challenges and to show that our values and priorities have merit.

Being a good global partner means applying internationally recognized principles of aid effectiveness including (1) harmonizing our policies and practices with other donors, including the pursuit of the Millennium Development Goals, (2) aligning our assistance with the national priorities of host governments in well-governed countries and with the communities we intend to help, (3) lowering transaction costs associated with foreign assistance for both the United States and recipient countries, (4) increasing policy and programmatic transparency for the American public and the communities we intend to help, and (5) demanding more accountability and measuring results.

### **Priority Actions for Modernizing U.S. Foreign Assistance**

The organization, policies and practices of U.S. foreign assistance must be fundamentally overhauled to meet the foreign policy challenges of the 21st century. The following four specific actions must be taken:

- Develop a national strategy for global development;
- Reach a “grand bargain” between the Executive branch and Congress on management authorities and plan, design and enact a new Foreign Assistance Act;
- Streamline the organizational structure and improve organizational capacity by creating a Cabinet-level Department for Global Development, by rebuilding human resource capacity and by strengthening monitoring and evaluation; and,
- Increase funding for and accountability of foreign assistance.

**Develop a National Strategy.** The U.S. government must develop a coherent intellectual framework for using various assistance programs to support both long-term economic development and shorter-term foreign policy priorities. The entire endeavor must elevate the stature of the development mission alongside those of diplomacy and defense and position global development and poverty reduction as

the cornerstone of our foreign assistance mission. The first step is to develop a comprehensive strategy that lays out the principal objectives and basic framework for foreign assistance—bilateral and multilateral—as part of our broader policies for engaging with the world.

**Reach a “Grand Bargain” on Authorities and Plan, Design and Enact a New Foreign Assistance Act.** The legal and regulatory authorities governing foreign assistance must be brought more closely in line with streamlined organizational structures and principles of effective assistance. This will require a “grand bargain” between the Executive branch and Congress—both play a unique role in the management of U.S. foreign assistance. This bargain should reflect a shared vision of the role and management of U.S. foreign assistance, provide the Executive branch with the authorities it needs to respond to a rapidly changing world, and ensure rightful and comprehensive legislative oversight. Done purposefully, inclusively and transparently, this bargain would reestablish confidence in the foreign assistance system among the U.S. public and non-governmental development organizations and reduce the ability of special interests to secure self-serving earmarks.

To this end, the new administration should work with Congress to plan, design and enact a new Foreign Assistance Act (FAA). The new FAA should clearly outline the objectives of U.S. foreign assistance programs; consolidate decision making and implementation functions into a single institutional entity (preferably a Cabinet-level Department for Global Development, as described below); specify the roles and responsibilities of other Cabinet agencies where appropriate; clarify the coordination of multilateral and bilateral assistance oversight responsibilities and functions; adjust regulatory requirements to fit the reality of implementing assistance programs; and reduce political and bureaucratic constraints (such as earmarks, presidential initiatives, and assistance tied to American-supplied goods and services).

**Streamline the Organizational Structure and Strengthen Organizational Capacity.** Policy, implementation, and budget authority for foreign assistance should be consolidated in order to maximize the effectiveness of our programs in support of economic and social development, humanitarian assistance, post-conflict reconstruction, security-

sector reform, democracy and governance, and civil society development. The best way to do this is to create a Cabinet-level Department for Global Development with core organizational capacities that are enabled by a sufficient cadre of experienced development professionals. A Cabinet-level voice is critical to elevate development as a central component of U.S. global engagement and to build the professional civilian capacity with development expertise that is necessary to strengthen our assistance programs. The department should have the budgetary authority and mandate to lead policy formulation, coordinate with programs and policies that remain under other departments (e.g., Treasury oversight of the IMF, State assistance for diplomatic purposes, Defense emergency response programs), and manage the implementation of all civilian-led U.S. foreign assistance programs in the field. A strong development coordination capacity in the Executive Office of the President is an essential complement to the effectiveness of this new organization.

Some argue that the best way to reorganize U.S. foreign assistance is to consolidate key programs and accounts under the State Department. This option has far more drawbacks than advantages. It might rationalize actors, clarify missions, and reduce confusion about who speaks for the United States. But it will not achieve the broader goal of elevating development in U.S. foreign policy, and it is likely in the long run to further weaken rather than strengthen the effectiveness of our foreign assistance programs. It would undoubtedly subordinate development to diplomacy, risk allocating larger amounts of funding to meet short-term political and diplomatic objectives at the expense of longer-term development objectives, and place responsibility for development policy in a department with only limited expertise in development. Proponents of this approach tend to underestimate the massive transformation of the culture, mission, and staffing of the State Department that would be required for such an integration to avoid the pitfalls of past experiments of this kind (for example, the merger of United States Information Agency into State during the Clinton administration). While the alignment of development and diplomacy is important, so too is the alignment of defense and diplomacy and trade and diplomacy, yet no one would advocate submerging the State Department into the Defense Department, or

folding the Department of Commerce into the State Department. Maintaining separate but equal status for our key foreign policy instruments—diplomacy, defense, international finance, trade, intelligence—with coordination at the Cabinet level has been critical for strengthening the long-term effectiveness of these policy tools, and similarly it is central to elevating the importance and improving the effectiveness of our development programs.

There are also proponents of reinvigorating USAID (supported by new legislation) or merging USAID, the MCC, PEPFAR, and other programs into a new sub-cabinet agency with a structure and standing similar to that of OPIC, EXIM, or the MCC. Either of these options would be a step forward in terms of improved coordination efficiency and policy coherence on a range of development issues. Nevertheless, while better choices than consolidation into the State Department, they are not as strong as a new Cabinet-level Department. Without equal footing in the Cabinet on par with diplomacy and defense, the head of a new sub-cabinet agency typically will not be at the table for the most senior level policy decisions, thereby risking the subordination of the agency's longer-term development priorities to shorter-term priorities associated with diplomacy and defense.

Regardless of the ultimate organizational structure, steps must be taken now to staff, rebuild and transform civilian institutions such as State and USAID. It is critical to rebuild the core professional capacity and development expertise within the U.S. Government so that key institutions can more effectively play their appropriate roles in the interagency and multilateral arena.

**Increase Funding for and Accountability of Foreign Assistance.** No foreign assistance reform effort can be successful unless the Executive branch proposes, and Congress appropriates, adequate funds to support it. Increased bilateral and multilateral funding should be justified in and aligned with a national strategy. Congress and the Executive branch must ensure that our foreign assistance programs are not overly encumbered by political and bureaucratic constraints (e.g., directed spending, tied-assistance, etc.). Finally, both branches of government must work together to communicate clearly to the taxpayers the

importance of long-term investments in development in order to increase resources and capacities. If we invest in solving global problems early—like halting the spread of new infectious diseases before they reach the U.S., and easing the suffering and indignity that foster anger and violence—we save both lives and money.

