

A NEW FOREIGN AID ARCHITECTURE FIT FOR PURPOSE

Discussion Draft

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Foreword

*from Modernizing Foreign Assistance Network Co-Chairs
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Ideally, any government agency architecture should be focused, evidence-based, and results oriented, driven by clear goals and mandates and powered by strong technical expertise and adequate resources. U.S. foreign aid programs and agencies have made great strides to meet this ideal. U.S. assistance has saved lives from disease and hunger, helped farmers become more productive, strengthened democratic institutions, and promoted economic growth, all of which supports political stability.

Despite the progress, our aid system is still fragmented with varying degrees of inefficiencies across programs. The Trump administration has called for a reorganization of most government agencies. Many observers fear that the international affairs agencies, including the State Department and the United States Agency for International Development (USAID), will be negatively affected. In addition to proposing disproportionate budget cuts, administration statements suggest the downgrading and possible elimination of development programs, with strategic interest being the sole remaining criteria for determining assistance, in a process that is not adequately informed of the value of development for global stability and economic prosperity. The consolidation of USAID into the State Department is one of the structural changes being suggested.

MFAN has released a set of Guiding Principles for Effective Foreign Assistance¹ that should guide any type of reorganization of diplomacy and development functions. As co-chairs of MFAN, we offer this discussion draft – A New Foreign Aid Architecture Fit for Purpose – to spur conversations on structural options that adhere to effectiveness principles. Equally important, this draft tries to capture the spirit of seeking greater efficiencies, eliminating redundancies, and rationalizing which agencies are best suited to conduct development functions. Since the George W. Bush administration, and continuing under President Obama, agencies have innovated and experimented to identify what works. What we have learned informs this proposal.

This Proposal:

- ▶ Consolidates four agencies and multiple programs into two new agencies;
 - Consolidates the Millennium Challenge Corporation (MCC) and the President’s Emergency Plan for AIDS Relief (PEPFAR) into the new Global Development Agency;
 - Consolidates the Overseas Private Investment Corporation (OPIC), the U.S. Trade and Development Agency (USTDA), and USAID’s Development Credit Authority (DCA) programs into the new Development Finance Corporation
- ▶ Reduces the number of bureaus from the current 12 at USAID to 5 at the Global Development Agency;
- ▶ Removes duplication in refugee assistance and democracy and rule of law programs;
- ▶ Consolidates the U.S.-Middle East Partnership Initiative (MEPI) into the new Global Development Agency;
- ▶ Eliminates the vast majority of special ambassadors and envoys;
- ▶ Eliminates regional assistance coordination offices at the State Department; and
- ▶ Achieves greater efficiencies with U.S. food aid programs.

The result is a consolidated structure that brings most global development, health, and humanitarian aid functions under a single agency, creates a Development Finance Corporation to better work with the private sector, and maintains foreign assistance programs at the State Department that play to its strengths. This architecture would allow the diplomatic and development professionals to separately apply their expertise to their respective mandates but operate in close coordination. It would streamline government through consolidating agencies and programs.

¹ www.modernizeaid.net/principles

Time for Reform

U.S. aid programs and agencies have not undergone a major overhaul since USAID was created in 1961, except for the creation of new programs, such as the MCC, PEPFAR, USTDA, and regional foundations. The underlying legislation that authorizes foreign assistance programs has not been significantly amended since 1985. Instead, new programs, approaches, and legislation have been layered on top of others. The result is a bureaucratic maze of programs spread across over 20 agencies and more than 50 years of outdated regulatory barnacles. While U.S. aid agencies have come a long way in improving their effectiveness and strengthening their systems to efficiently provide assistance, competition for sector resources and a general lack of coherence in country programming still hamper the reach and sustainability of our aid programs. We live in a world far different from that of the 1960s and our aid architecture should reflect current challenges and opportunities.

How to Reform

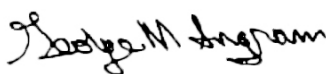
In short, we need a new aid architecture that is fit for purpose, one that rationalizes programs among agencies, sets up clear lines of authority and accountability, consolidates agencies and programs, and does away with outdated regulatory provisions that hamper efficiency. Our reimagined aid agency – the Global Development Agency (GDA) – provides a clear delineation between diplomacy and development. Diplomacy, development, and defense are a three-legged stool upon which the U.S. national security strategy rests. Each of these missions needs to be carried out by professionals with technical expertise and adequate resources to accomplish their missions. At the same time, the three need to better coordinate their programs and approaches in support of U.S. foreign policy goals.

With development functions consolidated under the GDA, the State Department can focus on strategic interests – political, economic, and security. It would maintain a fund to support countries of strategic interest to the United States, as well as its current programs relating to counter-narcotics and counter-terrorism, military assistance, and some refugee, democracy, and human rights functions. The goal is to eliminate redundancies that currently exist between State and USAID.

The **Global Development Agency (GDA)** would be led by a director who reports to the President, is assigned Cabinet rank, has a permanent seat on the National Security Council, and receives guidance from the Secretary of State. It would be organized by goals and objectives rather than by regional bureaus or sectors. Such an approach would facilitate cross pollination and integrated approaches by breaking down artificial silos that prevent greater efficiencies. GDA would consolidate responsibility and accountability for all U.S. agencies and programs that provide humanitarian relief, alleviate poverty, strengthen country stability, and advance prosperity. The MCC would be moved into GDA while still retaining its brand and operational principles. PEPFAR and USAID would also be consolidated into GDA. Each of these moves would bring greater efficiencies under a single budgeting and human resources umbrella.

A **Development Finance Corporation (DFC)** would consolidate agencies that provide market-based mechanisms to drive economic growth. With the growing recognition of the positive impact of the private sector, the DFC would include a one-stop-shop to integrate private sector engagement in U.S. Government (USG) programs and could partner with both U.S. and local private firms and new starts. It would be run by a public/private board chaired by the director of the GDA.


We hope that the ideas presented in this discussion draft represent a thoughtful proposal that would re-create an accountable and efficient system while maintaining U.S. leadership to respond to humanitarian crises, eradicate hunger and poverty, stem the outbreak of disease that easily crosses borders, and drive economic growth. Ultimately, a wealthier, healthier, and more stable world is in the best interests of Americans and the United States.



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Proposal

To build on the legacy of decades of U.S. investment in global health, humanitarian relief, and economic development and to meet the new global challenges of the 21st century, the United States must sharpen its development assistance tools with an aid architecture that is fit for purpose, efficient, and accountable.

This organizational architecture would allow the diplomatic and development functions to separately apply their expertise to their respective mandates but operate in close coordination. It would streamline government through:

- ▶ Consolidating four aid agencies and several major State Department units into two new focused agencies – the Global Development Agency and the Development Finance Corporation;
- ▶ Reducing the current 12 USAID bureaus to 5 in the new development agency;
- ▶ Eliminating the vast majority of special ambassadors and envoys; and
- ▶ Streamlining and incorporating cost savings measures into U.S. food aid programs.

Objective

Mission alignment of U.S. global humanitarian and development assistance programs by restructuring the U.S. aid architecture for more effective, efficient, coherent, and agile implementation of U.S. assistance programs.

Why Aid

It is in our national security interest to prevent conflict and disease from spreading across borders to U.S. shores. It is more cost effective to help build peace, advance human rights, and address the drivers of conflict than it is to respond with costly military interventions. It is more cost effective to halt a disease through surveillance and strong health systems before it gets out of control. It is more humane and efficient to improve the resilience of farmers to weather and market disruptions rather than rush emergency supplies to starving people. It is in our economic interest to help other countries advance economically and become partners for U.S. trade and investment. Aid creates good will and projects U.S. leadership globally.

Problem

While U.S. assistance is used constructively and accomplishes many valuable outcomes, it is not structured to reach its maximum potential. The effectiveness of U.S. assistance is hamstrung by too many overlapping programs – over 20 government agencies provide some type of foreign assistance. The multiplicity of actors results in a lack of coherence and strategic focus, duplication and even conflicting policies, and constraining budgetary and regulatory procedures, all of which hinders effectiveness and creates inefficiencies.

Solution

To accomplish the goals laid out above and overcome inefficiencies, the effectiveness and coherence of U.S. assistance can be enhanced through consolidation and streamlining of functions. The architecture proposed here joins related programs and agencies into two entities, one that operates economic assistance programs and one that employs market instruments to advance economic growth. The consolidation permits focused, evidence-based, and results-oriented programs that are driven by clear goals and mandates and are empowered by strong technical expertise and adequate resources.

Global Development Agency (GDA) – to relieve human suffering and build resilience and economic growth, the GDA would consolidate responsibility and accountability for all U.S. agencies and programs that provide humanitarian relief, alleviate poverty, strengthen country stability, and advance prosperity. GDA would be led by a director who reports to the President, has Cabinet rank, and has a permanent seat on the National Security Council. The best, most rigorous and effective procedures of all programs – USAID, MCC, PEPFAR, and the President’s Malaria Initiative (PMI) – would be adapted as appropriate to GDA programs. MCC and PEPFAR would retain their brands and operating procedures. GDA strategies and programs would be informed by country national development plans.

Development Finance Corporation (DFC) – to engage the private sector in promoting economic development and prosperity. The DFC would consolidate and expand the use of market-based financial instruments (Overseas Private Investment Corporation; U.S. Trade and Development Agency; USAID’s Development Credit Authority; enterprise funds). The DFC would be led by a CEO who reports to a public/private board, chaired by the director of the GDA.

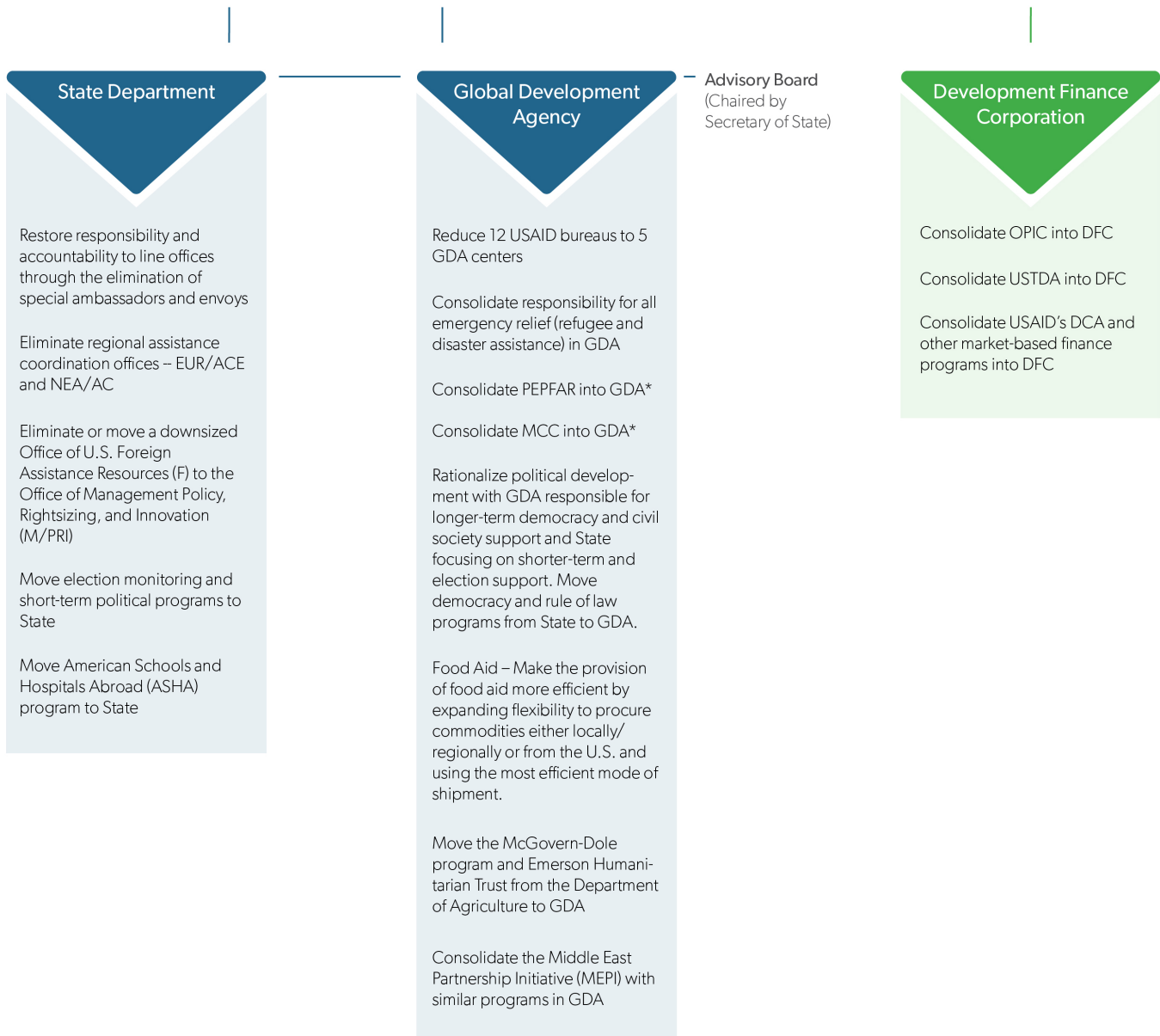
Purpose

- ▶ Make policy making and implementation more flexible and responsive to better drive achievement of U.S. objectives with respect to global poverty reduction, economic development, humanitarian relief, human rights, and stabilization in fragile and conflict states.
- ▶ Maximize effectiveness of development and diplomacy so each can focus on its core mission and expertise.
- ▶ Align priorities, structures, and coordination with goals and objectives and clear lines of authority and accountability.
- ▶ Achieve efficiencies through removing redundancies and outdated regulations that hinder effectiveness

Organizational Chart

PERMANENT SEAT ON NSC

GOVERNING BOARD (Chaired by GDA Director)



5 CENTERS



*Note: The best, most rigorous and effective procedures of all programs – USAID, MCC, PEPFAR, PMI – would be adapted as appropriate to GDA programs. MCC and PEPFAR would retain their brands and operating procedures.

Roles and Responsibilities

Development Programs

GLOBAL DEVELOPMENT AGENCY (GDA) – To relieve human suffering and build resilience and economic growth, the GDA would consolidate responsibility and accountability for all U.S. agencies and programs that provide humanitarian relief, alleviate poverty, strengthen country stability, and advance prosperity. GDA would be led by a director who reports to the President, is assigned Cabinet rank, has a permanent seat on the National Security Council, and receives guidance from the Secretary of State.

- ▶ Supported by an Advisory Board that brings together a whole-of-government perspective and outside expertise. The Board would be a public/private council (modeled on the MCC board), chaired by the Secretary of State, and established to review major policies and initiatives and advise the director.
- ▶ Organized by goals and objectives, rather than by sector or region, to improve coherence, accountability, and effectiveness by bringing together related functions, breaking down artificial silos, and facilitating integrated approaches and solutions. The five Centers are as follows:
 - **Relief and Resilience Center** – saving lives and building stability. Structured to optimize life-saving and development programs by bridging the divide between humanitarian and development programs and building resilience, the Center would focus on countries that are the least developed, fragile, and emerging from crisis. It would cover the continuum from relief and fragility to resilience, from crisis and immediate post-relief stage to help poor and fragile countries move along the continuum to political stability and economic growth.
 - **Stability and Economic Growth Center** – building economic, social, and political foundations. The center would house programs geared to working with countries that have a semblance of stability and growth and would seek to help them further stabilize and build the economic, social, and political elements of a modern society.
 - **Millennium Challenge Center** – accelerating progress. This center would work with countries that are stable, have reasonable governance, and are advancing economically. It would seek to help move them to a higher level of independence and to a more market-driven economic relationship with the U.S. Special focus would be placed on strategies to move a country beyond grant assistance through building up local capacity, such as through Domestic Resource Mobilization (DRM), trade-capacity building, commercial policies, and rule-of-law, and would work collaboratively with the DFC.
- **Strategy and Technical Center** – advancing learning and innovation. This center would house strategy and policy development, country expertise, budget, evaluation, coordination with donors and the private sector, interagency coordination, public and legislative affairs, and serve as the locus for innovation. The Center would serve as the bridge among the other GDA centers. The Center includes:
 - Country Unit – would serve as the interface and backup for GDA country missions.
 - Civil Society Unit – responsible for advancing and coordinating the strengthening of local institutions and ensuring that development programs are centered in local ownership.
 - Multilateral Unit – responsible for coordination of U.S. development policies and programs across bilateral and multilateral/international agencies; staffed by GDA, State, and Treasury
 - Catalytic Accelerator Unit – provide financing for projects that engage the private sector with blended finance and for early finance and technical assistance for GFC investment projects. It would also be responsible for outreach to the private sector and work with the one-stop shop in the GFC.
 - Strategy Unit – responsible for leading the development of a strategy across GDA components and with the DFC.
 - Interagency Secretariat – serves as the secretariat for the Advisory Board and the Interagency Development Coordinating Committee chaired by the GDA director.
 - The Center would be the USG locus for relations with independent USG development entities – Inter-American Foundation, African Development Foundation, and Asia Foundation.
- **Management Center** – responsible for Human Resources, Information Technology, and administrative functions.

Development Financing

DEVELOPMENT FINANCE CORPORATION (DFC) – The DFC joins in one entity all programs that use market-mechanism to build economic growth: OPIC; USTDA; DCA; and enterprise funds.

- ▶ The governance would be a public/private board chaired by the director of the GDA.
- ▶ The Corporation would be authorized to provide:
 - Political risk insurance;
 - Debt finance;
 - Equity finance;
 - Financial guarantee;
 - First loss guarantee;
 - Financing for feasibility studies; and
 - Technical assistance funded through GDA
- ▶ It would include a one-stop shop (as called for in the Economic Growth and Development Act legislation) to integrate private-sector engagement across the USG; staffed by DFC, GDA, Foreign Commercial Service, etc.
- ▶ It would be authorized to partner with both U.S. and local private firms.
- ▶ It would work in close alignment with the GDA's Private Sector Unit so that they function in partnership.
- ▶ GDA would manage a fund that is available for early finance and technical assistance for DFC investment projects.

Diplomatic Programs

DEPARTMENT OF STATE – State would concentrate on diplomacy by moving policy and day-to-day implementation of relief and development assistance programs to GDA.

- ▶ State retains responsibility for strategic economic assistance to countries of critical foreign policy importance, for security assistance, and for short-term political development.
- ▶ Coordination is most important at the country level. This design would provide the ambassador with a single senior official (the country head of GDA) responsible for all economic development programs (rather than the current multiple agency representatives), thereby maximizing the ambassador's time and enhancing the coherence of U.S. programs. In Washington, the State/GDA relationship would be spearheaded by the GDA director attending the Secretary's staff meeting, and the interaction between State's Office of Policy Planning and the GDA's Strategy Center.
- ▶ Expands transparency by amending the Foreign Assistance Transparency and Accountability Act (FATAA) so that the requirements for accountability, transparency, and evaluation apply to all U.S. foreign assistance. State would be directed to establish rigorous, transparent processes for using data to design, monitor, and evaluate programs.

ENHANCED COORDINATION & INTEGRATION

Similar to the exchange of military personnel under Goldwater-Nichols, several staff from State and GDA would serve in each of the relevant GDA divisions and State bureaus to ensure integration of policy and knowledge. This interchange of personnel could be extended to the Department of Defense (DOD).

This would serve the function of and allow the elimination of State's Office of the Coordinator of U.S. Assistance to Europe and Eurasia, Bureau of Near Eastern Affairs Office of Assistance Coordination, and Office of U.S. Foreign Assistance Resources (F) could be returned to what it was intended to be – an information gathering and coordination office.

Regional Configuration – State, GDA, and DOD would align their geographic configurations, and State and GDA would participate in DOD-instituted Joint Interagency Coordination Group at each regional command to better coordinate among defense, diplomacy, and development, and ensure effective implementation of assistance resources.