Background Research
Gates Forum II

The Imperative to Reinvigorate U.S. Development Assistance Capabilities to Better Advance America's National Interests

Conference Reference Materials

November, 2023

Gates Global Policy Center

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AIDDATA
A Research Lab at William & Mary

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First and foremost, on behalf of Secretary Gates, we want to thank you for attending the second Gates Forum at William & Mary on U.S. Development Assistance. The Forum aims to answer a single overarching question: what concrete actions can the United States take to reimagine its approach to, and administration of, developmental assistance in an era of intensifying great power competition?

Working together, the Forum will address this challenge that is so vital to our national interest. The intent of the Forum is to discuss and prepare the Gates Global Policy Center (GGPC) to develop recommendations for action that will find broad support in the Administration and bipartisan support in Congress.

In partnership with William and Mary's Global Research Institute, the attached research package provides a synthesis report: "The Imperative to Reinvigorate U.S. Development Assistance Capabilities to Better Advance America's National Interests" that distills insights from the following five research papers (provided as background):

1. U.S. Development Assistance: Evolving Priorities, Practices, and Lessons from the Cold War to the Present Day
2. Catalytic Partnerships: Opportunities and Challenges in Mobilizing U.S. Private Sector Resources to Scale America's Contribution to Development Overseas
3. Humanitarian-Development-Peace Nexus: Successes, Failures, and Lessons from U.S. Assistance in Crisis and Conflict
4. Aid in the National Interest: How America's Comparators Structure their Development Assistance
5. Reinvigorating U.S. Development Assistance: Alternative Models and Options.

Based on the foundation of this high-quality research, at a minimum the Synthesis Report will assist conferee discussion to help the GGPC develop recommendations for a final report which will be published in mid-January 2024. Our hope is that at a minimum, you find the time to read the Synthesis Report. We are proud of the quality research that underpins this report; therefore, we have provided all the original research papers for those who want to read more.

Secretary Gates looks forward to the expertise and contributions of each conferee as you participate, discuss, and develop recommendations in the December Forum.

Very Respectfully,

Peter W. Chiarelli
General, USA (Retired)
President, Gates Global Policy Center

Research Papers

Synthesis Report

1. The Imperative to Reinvigorate U.S. Development Assistance Capabilities to Better Advance America's National Interests

2. U.S. Development Assistance: Evolving Priorities, Practices, and Lessons from the Cold War to the Present Day

3. Catalytic Partnerships: Opportunities and Challenges in Mobilizing U.S. Private Sector Resources to Scale America's Contribution to Development Overseas

4. Humanitarian-Development-Peace Nexus: Successes, Failures, and Lessons from U.S. Assistance in Crisis and Conflict

5. Aid in the National Interest:
How America's Comparators Structure their Development Assistance

6. (Re)invigorating U.S. Development Assistance: Alternative Models and Options

Background Research - Research Synthesis

Gates Forum II

The Imperative to Reinvigorate U.S. Development Assistance Capabilities to Better Advance America's National Interests

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Acknowledgments

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The opinions in this synthesis and the supporting background papers represent the views of the authors alone and do not necessarily reflect those of the Gates Global Policy Center, which commissioned this work, nor that of AidData, the Global Research Institute, William & Mary, or those that provided peer review comments or participated in background interviews.

Acronyms

AGOA	African Growth and Opportunity Act
Defense	U.S. Department of Defense
DFC	U.S. Development Finance Corporation
MCC	Millennium Challenge Corporation
NGO	Non-governmental Organization
NSC	National Security Council
NSS	National Security Strategy
OECD	Organization for Economic Co-operation and Development
PEPFAR	U.S. President's Emergency Plan for AIDS Relief
PRC	People's Republic of China
State	U.S. Department of State
Treasury	U.S. Department of Treasury
U.S.	United States
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USG	U.S. Government

1. Introduction

This research volume sought to answer a single overarching question: how might we reinvigorate development assistance to better advance America's varied national interests (e.g., humanitarian, diplomatic, economic, and security)? This synthesis distills top-line insights from five background papers (Box 1) for U.S. public, private, and civil society leaders to consider: (i) lessons from how the U.S. supplies humanitarian relief and development assistance in response to strategic imperatives and local demand; (ii) promising innovations and cautionary tales from how other donors resource, organize and deliver resources to support overseas development; and (iii) the relative merits of policy options to strengthen U.S. development assistance. Section 2 highlights four critical messages from the research to define the strategic challenge. Section 3 summarizes fifteen possible policy options to consider in response.

Box 1. December 2023 Gates Forum Background Papers on Reinvesting in America's Development Assistance
Paper 1. *U.S. Development Assistance: Evolving Priorities, Practices, and Lessons from the Cold War to the Present Day* (Custer, 2023). Retrospectively looks at U.S. development assistance at three junctures: the Cold War, the post-Cold War and 9/11 period, and the contemporary era. It discusses how the Global South perceives the U.S. as a development assistance supplier in a crowded marketplace. Paper 2. *Catalytic Partnerships: Opportunities and Challenges in Mobilizing U.S. Private Sector Resources to Scale America's Contribution to Development Overseas* (Burgess & Custer, 2023). Examines how the private sector expands the total resource pool available to support economic growth and development worldwide. Assesses the tools the U.S. government has used to engage these actors over the last 20 years. Paper 3. Humanitarian-Development-Peace Nexus: Successes, Failures, and Lessons from U.S. Assistance in Crisis and Conflict (Horigoshi & Custer, 2023). Explores how the U.S. and other donors integrate and coordinate humanitarian response, peacebuilding, and development assistance. Incorporates historical

financial and policy analysis, county case studies, and practitioner interviews to surface cross-cutting lessons for consideration.

Paper 4. *Aid in the National Interest: How America's Comparators Structure Their Development Assistance* (Mathew & Custer, 2023). Describes how the U.S. and ten comparators organize and deploy development assistance to advance multiple objectives. Incorporates a global survey to assess how leaders in low- and middle-income countries weigh the value proposition of these donors in a crowded aid marketplace.

Paper 5. *(Re)invigorating U.S. Development Assistance: Alternative Models and Options* (Custer, 2023b). This paper reflects on strategic challenges across four companion papers and practitioner interviews. It offers fifteen policy options to alleviate strategic, structural, and operational pain points in U.S. development assistance.

2. Defining the Strategic Challenge

2.1 In the absence of clarity and candor, U.S. development assistance lacks strategic focus

In an increasingly competitive global landscape, America must be intentional about articulating its value proposition as a preferred development partner. Embarking on this exercise, the U.S. government (USG) should go back to the basics: strategic clarity about what it wants its assistance to achieve, where, how, and why. Development assistance—as with any instrument of national power—is a means and not an end. It is not pure altruism, but neither is it pure self-interest. Perhaps the most honest articulation of the purpose of development assistance is to advance the mutual interests of the U.S. and a counterpart nation toward shared goals.

Aid in the national interest is not a new idea. Chapter 4 describes how donors from West to East juggle multiple national interests—open markets, access resources, cultivate influence, curb migration, counter instability, and contain competitors. These interests are dynamic, not static, and influenced by myriad and conflicting factors such as geostrategic position, global norms, and domestic factors, from public support to electoral politics. Chapter 1 chronicles how past U.S. political leaders, Republican and Democrat, have had to rationalize why it is a good idea for America to send taxpayer money and expertise to assist people in faraway places.

Examining stated commitments and revealed priorities across administrations and donors, four points of intersection between national security and development assistance rise to the top:

- Humanitarian: improve the lives of citizens in other countries and strengthen the ability of governments to deliver peace, prosperity, and stability
- Security: protect Americans from harmful spillovers due to poverty and fragility, natural disasters, eroding democracies, and climate change
- Diplomatic: derive reputational benefits from building goodwill with foreign leaders and publics in an era of geostrategic competition

- Economic: help other countries become more prosperous and open two-way trade, investment, and innovation as a boon to the American economy

Although America has an overabundance of development assistance strategies and plans, there is a dearth of guidance to ensure agency efforts are aligned with these (or other) U.S. national interests, coordinated with each other, and coherent in adding up to more than the sum of their parts. Some administrations offer grand statements elevating development alongside diplomacy and defense but with little specifics. Others put forth a laundry list of priorities absent a clear hierarchy and with limited resources. High-level interagency processes, at times, achieve momentary consensus but fail to stick or move beyond paper into operational practice.

Candor about what America wants to achieve with its development assistance efforts, why, and how this can work with other instruments of national power creates flow-down benefits at an operational level. It allows for specialization across agencies, programs, and funds in that every individual activity need not do all things, provided development assistance serves the breadth of U.S. interests at a portfolio level without subsuming one under the others. It informs how political leaders, government bureaucrats, and the American public think about what success looks like to evaluate progress, make course corrections, align incentives, and report results. It can elevate interagency dialogue and learning around how development assistance should work to support inclusive economic growth, peaceful democratic societies, and global public goods. Finally, being forthright about aid and the national interest can level the playing field to work with Global South counterparts as equal partners in a shared enterprise with mutual benefits.

The U.S. government faces another uphill battle: overcoming a credibility deficit with foreign leaders and publics about America's intentions, contributions, and value proposition relative to other development assistance suppliers. Global South leaders are uninterested in a geostrategic tug-of-war between Washington and Beijing or Moscow. They want to hear and see America embrace a pro-development, rather than anti-competitor, strategy. Counterpart countries are less interested in big promises than in seeing America follow through on its commitments, be responsive to partner priorities, and show global leadership in mobilizing strong coalitions.

Once the largest bilateral supplier of financing for development by far, the relative dominance of the U.S. as a development finance provider has lessened over the last two decades. More countries have joined the OECD's club of 30+ major donors, the Development Assistance Committee. In parallel, the People's Republic of China (PRC) has arisen as a major financier of overseas development. In an increasingly crowded marketplace, U.S. development assistance needs a clearer value proposition of what it can offer to counterpart nations and why America is well-positioned to deliver.

Four-fifths of leaders in 129 Global South countries said that the U.S. was active in supporting overseas development in their country, according to a 2022-2023 AidData survey (Horigoshi et al., forthcoming). Nevertheless, the U.S. has left the door open to fall behind its peers in some geographies and surprising ways. The PRC is seen as more active than the U.S. in supporting local development in Africa and across the Indo-Pacific, particularly in supplying financial assistance, despite these regions being a focus of the last three administrations (ibid). Leaders in the Global South view the U.S. as better positioned to support governance and the rule of law, along with improving social services in areas like health and education. They are less interested in working with America on infrastructure, viewing the PRC as their preferred partner, irrespective of U.S. leaders' fixation on competing with the Belt and Road Initiative.

2.2 America's development assistance is often short-sighted, inflexible, and grant-dependent

Resources have a way of dictating priorities, and a growing share of funds managed by the U.S. Agency for International Development (USAID) has focused on humanitarian relief. USAID is vulnerable to seeing its long-term development mission displaced by short-term imperatives of crises, conflicts, and disasters. Chapter 3 introduces the humanitarian-peace-development nexus as a helpful way of working through how the U.S. might more intentionally coordinate its emergency relief, conflict stabilization, and long-term development projects to help countries address vicious cycles of poverty and instability. It surfaces the need for success metrics to shift from how quickly money is spent to how well it moves countries a step closer to resilience that enables them to withstand and recover from cyclical crises and protracted conflict.

Urgent humanitarian imperatives to alleviate immediate suffering and the desire for tactical military wins can create perverse conditions without clear, strategic goals. Instead of building capacities in local authorities to allow America to withdraw safely and leave stability behind, U.S. assistance operates parallel systems and pursues overly ambitious projects with hefty price tags that are hard to implement in unstable security environments. U.S. agencies need holistic, long-term plans paired with flexible and nimble financing to help countries transition between crisis response and long-term development.

U.S. assistance has a colossal vulnerability that is problematic in emergency and non-emergency settings. It channels minuscule funding through local governments, relying instead on non-governmental organizations (NGOs) and other implementers. Even with USAID's rhetorical commitments to localization and routing more of its funding through local organizations rather than U.S.-based implementers, it is unclear whether and how these resources will be oriented to build the capacity of local authorities as opposed to non-governmental actors. This hamfisted approach does little to win America friends and allies to advance diplomatic and security aims.

Corruption and financial mismanagement in host governments are legitimate concerns and ones that Global South leaders share, according to surveys of public, private, and civil society elites (Custer et al., 2022). However, this status quo provides no clear exit strategy that allows for a sustainable transition of financing and oversight of programs to counterparts. Insistence on parallel systems means that when the U.S. pulls back, investment and capacity vanish with it, as in Iraq, or never take root, as in Haiti. America has made more gains in contexts like Nepal, Sierra Leone, and the Philippines, where patient investment in relationships and local capacity have helped civilian and military authorities better withstand and recover from crises or conflict.

Beyond who receives the money, a further sticking point can be: for what purpose? Congress appropriates money in annual chunks, specifying how most of it should be spent via earmarks and directives. Agencies parcel funds out via grants and contracts within strict parameters, often privileging a small coterie of implementers trusted to deliver projects in discrete periods and in line with predetermined targets and reporting regimes. This reality makes it challenging for development assistance agencies to be agile and responsive to work with counterpart nations.

Chapter 4 argues, based on demand-side surveys of leaders in 141 low- and middle-income countries, that a donor's ability to adapt and align its resources to support locally identified priorities is a comparative advantage—it is not only the right thing but the smart thing to do. Influential donors tend to be big spenders, but a consistent predictor of how leaders rated the performance of their partners was the degree to which they saw donors as deploying expertise and financing to help them address the problems they viewed as most important to solve (Custer et al., 2021).

Another constraint is the color of the money. U.S. development assistance relies heavily on grants rather than loans (at any interest rate level) and investment guarantees. This state of play artificially limits the capital that America can deploy to advance shared interests with its partners. As the Development Finance Corporation (DFC) picks up steam, the USG has increased non-concessional lending and equity as a share of its assistance portfolio from 4 to 36 percent in 2021. However, the DFC navigates several challenges: a limited presence in partner countries, developing a steady pipeline of bankable projects, the imperative to balance multiple strategic objectives, and risk intolerance within the agency, as well as from Congress and the Department of Treasury (Treasury), that deters it from investing in riskier sectors and markets.

Alongside grants and the DFC investment guarantees, the USG should also consider how to responsibly expand concessional lending (at no- or low-interest rates) while taking steps to ensure that these debts are sustainable. As Chapter 4 describes, Germany, Portugal, and Japan offer interesting case studies to learn from as these donors make more extensive use of no or low-interest loans with generous repayment and grace periods to expand the financing they can offer to the Global South even in a constrained budget environment

2.3 Perverse incentives can make U.S. assistance incoherent, penny-wise, and dollar-foolish

There has been a proliferation of agencies involved in development assistance: Chapter 1 traces the build-up from 8 in the Cold War to 20 today. Distrust in USAID prompted congressional and political leaders to form new agencies or vehicles as a workaround to advance their preferred development assistance priorities. With a development assistance budget of less than one percent of U.S. federal spending, America must get the most from every dollar spent. However, agencies exacerbate operational incoherence through active competition or lack of coordination. The status quo ignores frustrating resource inefficiencies, the rise of parallel bureaucracies, and activities that work at cross-purposes.

The big four development assistance agencies include USAID, the Department of Agriculture (USDA), the Department of State (State), and Treasury. However, all but State have seen their share of the development assistance pie decline over time. The Department of Defense (Defense) and the Millennium Challenge Corporation (MCC) have vocal constituencies and robust bipartisan support, but each only represents 2 percent of the development assistance budget. Many domestic agencies maintain small international technical assistance programs in their areas of expertise. The Department of Health and Human Services, along with other agencies, implements U.S. President's Emergency Plan for AIDS Relief (PEPFAR) programs. Regionally focused agencies such as the Inter-American Foundation and the African Development Foundation each account for less than 1 percent of the assistance budget.

Bilateral and multilateral donors are confused by the bewildering array of U.S. interagency representatives they deal with, which may not speak with one voice. The more agencies a host government or non-governmental actor interacts with, the greater the operational burden. The U.S. compounds this problem as a given country may have as many as 15-17 USG agencies operating within their borders and nine on average. A coordination deficit not only exists among U.S. agencies but also with other bilateral and multilateral donors.

While this state of affairs is not ideal in any circumstance, Chapter 3 highlights how a breakdown in coordination is particularly problematic in contexts of crisis and conflict. Formal structures and rules of engagement are helpful but insufficient, as highlighted in Iraq and Haiti. More successful collaboration in Somalia and Nepal benefited from pre-existing relationships between local authorities and donor counterparts, as well as across interagency players. In the Philippines, there was a clear appreciation for the roles and value-additions of different agencies, along with personnel who valued interagency collaboration and working adaptively to respond to local needs that aided coordination. In longer-term development situations, the U.S. might also benefit from closer coordination and amplification of efforts with allies focusing on specific regions such as Australia, India, and Japan in Asia or France and Portugal in Africa.

Chapter 4 acknowledges that the U.S. is not alone in grappling with challenges of coordination and coherence, though it is among the most fragmented players. While no single donor has devised a perfect solution to optimize assistance, smaller players offer innovations that could be adapted and replicated in the United States. France and Japan have top-down mechanisms to facilitate interagency coordination in targeting aid to advance strategic objectives buoyed by high-level political leadership. Portugal has emphasized coordination from the bottom up by establishing dedicated cooperation centers in its priority countries that serve as a clearinghouse for multiple agencies to integrate their assistance as a coherent offer to counterpart leaders.

Another pain point is that development assistance agencies are prone to an auditor's mindset: tracking dollars spent rather than managing for results, allocating assistance based on congressional earmarks and directives rather than clear performance metrics and rewarding consistency and compliance over innovation and outcomes. There are good reasons why agencies adopt this penny-wise, dollar-foolish stance, namely fear of congressional scrutiny, budget cuts, and public backlash that could arise in the case of waste, fraud, or abuse.

However, the research volume notes several unintended consequences of these systems.

The Federal Acquisition Regulations were a common point of discontent for agency personnel that also repelled private sector actors who viewed the processes as not worth the effort for the reward. Agencies struggle to staff contracting officer roles, and private sector actors are impatient with inefficient and labor-intensive bureaucratic processes seen as out of step with the speed at which the private sector is accustomed to operating. The role of State's Office of Foreign Assistance ("F Bureau") in overseeing current aid budgets, coordinating future requests, and managing the 653(a) reporting process[1] to Congress was another point of friction. Internal and external critics of the State that the value proposition "F" brings to the table is unclear. Complex, multi-step budgeting processes are opaque and hamper agencies from being nimble in co-creating development projects with private sector partners and counterpart nations.

If the adage is true that "you can't manage what you don't measure," then America's systems for data, monitoring, learning, and evaluation often fall short of its aspirations. Private sector engagement is one case in point. The USG notably lacks a comprehensive publicly available dataset or repository to monitor how it supports public-private partnerships or uses blended finance to advance development outcomes beyond ad hoc agency efforts. Existing platforms, such as ForeignAssistance.gov, track government funds committed and disbursed but are not yet positioned to capture concepts of private sector leverage and additionality.

Better data is necessary but insufficient without a clear idea of what success looks like. This, too, has been elusive for the USG's private sector engagement. Traditional tools to evaluate grant-based development projects are not fit for purpose when applied to blended finance and public-private partnerships. Similar arguments about the inadequacy of data and methods could be made in monitoring other complex and emerging topics in U.S. development assistance,

[1] The Federal Assistance Act of 1961 requires the USG to report on how foreign assistance is allocated within 30 days of Congress appropriating funds. In practice, this involves extensive coordination with USAID, the Office of Management and Budget, overseas embassies, and regional and sectoral bureaus to incorporate hundreds of Congressional instructions (GAO, 2019).

such as USG efforts to "counter malign foreign influence" or bankroll sustainable infrastructure investment via the Partnership for Global Infrastructure and Investment.

2.4 Failing to synchronize U.S. aid, trade, and investment makes assistance less sustainable

Chapter 2 chronicles USG attempts to crowd in private sector dollars and expertise to amplify the impact of taxpayer money to the mutual benefit of Americans and counterparts in the Global South. Getting the incentives right is easier said than done. Private sector actors can be reluctant to invest in poor or fragile states because of political, financial, or reputational risks that threaten profit potential. Even when the will to engage is present, companies may be at a loss as to whom and how to work due to a lack of information, networks, or skills.

Mainline development agencies have considerable experience and expertise working with private sector implementers—including NGOs, companies, universities, and more. However, they have a shorter track record in brokering public-private partnerships or structuring blended finance initiatives to pool financing, risk, and expertise (Lawson, 2013). The U.S. private sector is not monolithic. It includes profit-seeking institutions (e.g., businesses, investors) along with private philanthropies, voluntary organizations, universities, investment promotion entities, and other implementers of development projects. However, the USG's approach to private sector engagement is often unhelpfully generic and vague. There is insufficient attention to thinking through which private sector actors to engage where, how, and why.

Rather than working against the grain, the USG should be more strategic in pursuing focused partnerships with disparate private sector actors in areas of their revealed interest. Private foundations are likely the preferred partners for the USG in fragile states, vertical funds, and helping agencies operationalize their commitments to localization. They are also well positioned to support health programs—from primary healthcare and reproductive health to developing robust disease management systems—in India and Sub-Saharan

Africa. Environmentally focused foundations may also align with USG concerns about climate vulnerability. Private voluntary organizations with specialized skills and clear mandates to operate in crisis and conflict zones may be natural partners in humanitarian relief, peacebuilding, and conflict settings.

Historically, many successful examples of private sector partnerships have been oriented around grand challenges in specific sectors—from power generation (Power Africa) and agriculture (Feed the Future) to public health (International AIDS Vaccine Initiative) and extractives (Responsible Minerals Trade Alliance). These sectors, along with telecommunications and infrastructure, may be relatively more conducive to blended finance, investment guarantees, and other solutions that turn classic market failure challenges into viable investments.

As the USG seeks to push forward meaningful collaboration with the private sector, they will need to be proactive in addressing emerging questions about how this reconciles with the Biden administration's localization agenda (e.g., strengthening local systems, putting local actors in the lead) and the risk appetite of agencies. Localization is not necessarily a new idea: MCC and other agencies have long emphasized country ownership of development projects. The controversy is related to USAID's explicit financial targets to channel 25 percent of its funding to local organizations in the next four years and 50 percent of funding towards projects that put local communities in the lead.

For some U.S. implementers, the concern is lost access to valuable development assistance dollars. Other existing and prospective partners tend to interpret "localization" as synonymous with "increased risk" that threatens profitability. Agency leaders must articulate how localization and private sector engagement are not at cross-purposes and can be mutually reinforcing. There is also a broader insight that is not unique to localization. USG agencies and the private sector must learn to appreciate and reconcile how each understands risk: public entities focus on transparency, procurement compliance, and project delivery, while the price sector looks at a spectrum of risk that could impact their commercial or financial position.

Trade, investment, and financial services are an essential part of the growth equation for Global South leaders and entrepreneurs to access low-cost capital sustainably. Countries may have more options to finance their country's development than ever before, but it comes with a steep financial cost, often three times higher than for advanced economies (Spiegel & Schwank, 2022). Moreover, the USG's ability to mobilize resources to support overseas development is severely curtailed if limited to state-directed assistance, which represents just 0.22 percent of gross national income.

Unfortunately, countries that receive American aid and those that attract trade and investment minimally overlap. This is a missed opportunity. America is the largest supplier of outbound foreign direct investment and the second largest trading partner globally, but it channels few of these resources into emerging markets and fragile states. American commercial banks have also fallen behind their peers in Europe, Japan, and the PRC for foreign governments and private actors to raise project finance for development projects.

Non-reciprocal tariff preference programs, when designed well, can help developing countries create jobs, increase wages, and diversify their economies. Rather than altruism, these programs lower prices for American consumers, diversify supply chains and curb costs for American companies. For example, the three-year lapse of America's longest-standing non-reciprocal tariff preference program, the Generalized System of Preferences, hurts Americans just as it does counterparts in 119 eligible countries. American consumers now pay up to 25 percent more for once duty-free exports, and a typical American business pays an extra US$100,000-$200,000 in extra duties to access these products (Murphy, 2023).

Of course, these benefits may not be realized if eligible countries do not increase their exports under the duty-free categories due to lack of technical capacity, resources, or business climate issues, which occurred under the African Growth Opportunity Act (AGOA). Ninety percent of non-energy exports from AGOA countries to the U.S. are from five countries: South Africa, Kenya, Lesotho, and Mauritius (CRS, 2023). Others often have a utilization rate of 2 percent or lower, such that “98 percent of their exports to the U.S. [are] subject to tariffs” (Signe, 2023).

Mainline development agencies have specialized expertise that could diagnose governance deficiencies or market failures that lead to under-utilization of programs like AGOA. More broadly, with additional resources and a clearer mandate, trade capacity building (“aid for trade”) managed by USAID and State, regional investment hubs, and embassy deal teams, among other instruments, could be bridge builders in helping the USG synchronize tools of aid, trade, and investment with greater effect.

3. Policy Options

The research volume surfaces three structural and strategic pain points in the U.S. development assistance practice: strategic ambiguity, operational incoherence, and a mismatch with market demand. There are two different reform paths that U.S. policymakers might consider in responding to these challenges: (1) reduce the number of existing players and (2) refocus, de-conflict, and coordinate existing players' mandates.

Section 3.1 outlines ten policy options that would fundamentally alter the architecture of U.S. development assistance efforts at either a structural or strategic level. Section 3.2 identifies five additional opportunities for less dramatic but still consequential reforms to overcome operational-level pain points that arose across the various chapters of the research volume. The options are by no means exhaustive, nor are they necessarily mutually exclusive, though some choose a pathway that closes the door to others. The order does not reflect a relative preference nor endorsement of the merits of these ideas.

3.1 Options to Overcome Structural and Strategic Challenges

3.1.1 Reform Path One: Reduce the Number of Existing Players

Option 1: Review and Fold Unique Functions and Mandates of Smaller Agencies into Larger Ones, Beginning with the Inter-American Foundation and African Development Foundation

Congress would authorize a review of existing activities and mandates of the Inter-American Foundation and African Development Foundation in order to assess the degree to which these are already incorporated within USAID's remit. Duplicative activities and mandates would be dropped, and the remaining personnel, resources, and activities would be folded into USAID.

Option 2: Have Smaller Domestically-Focused Agencies Transition From Operating Independent Technical Assistance Activities and Second Relevant Technical Resources to Larger Ones

The White House would stock take the development-focused technical assistance efforts supplied by domestic agencies via small international programs. It would crosswalk offerings to the internationally focused agency that most closely deals with these issues. Duplicative activities and mandates would be dropped. The Intergovernmental Personnel Act Mobility Program could allow short-term secondments between agencies to respond to requests.

Option 3: Consolidate Development Assistance Activities and Resources into a Single Cabinet Level Development Agency with a Permanent Seat in the NSC Principals Committee

Congress would establish a single U.S. Global Development agency that integrates short-term humanitarian relief, long-term development assistance and engagement with multilateral development banks in one agency home. The head of this cabinet-level agency would have a permanent seat on the National Security Council (NSC) Principals Committee.

3.1.2 Reform Path Two: Refocus, Deconflict, and Coordinate the Existing Players' Mandates

Option 4: Institute an interagency policy committee in the NSC for development assistance to develop joint strategies, share best practices, and fund joint activities.

The White House could form an interagency policy committee in the NSC for humanitarian relief and development assistance, with representatives from internationally focused agencies and the Treasury. The committee would have a mandate and resources from the President to promote interagency coordination at a strategic and operational level—from plans to projects.

Option 5: Create a White House "coordinator" for development assistance in the NSC with the authority and resources to incentivize improved coordination across foreign assistance agencies

The White House would establish a position to lead the administration's efforts to strengthen development assistance in ways that advance America's national interests. The coordinator would develop a development assistance roadmap responsive to the 2022 National Security Strategy (and future ones), with input from relevant interagency leaders, marshaling resources and partners to implement said strategy, and reporting on progress to the President and Congress.

Option 6: Require the President to produce a U.S. development assistance strategy or roadmap to achieve the U.S. NSS and annually report on progress through the appropriations process.

Congress would incorporate language into the annual appropriations process that requires the President to work with all relevant agencies to develop a coherent U.S. roadmap or strategy that articulates how development assistance efforts should be resourced, targeted, organized, coordinated, and measured to advance the national security strategy. Congress could mandate a time period in which the strategy must be produced and the reporting frequency.

Option 7: Clarify Roles and Deduplicate Interagency Activities in Areas of Highest Convergence —Humanitarian Assistance, Conflict Prevention and Stabilization, Global Health, Food Security

The White House would stocktake agency activities and funding in the above four priority areas. It would issue an executive order or looser strategic guidance stipulating the mandates of each agency, requiring action plans to eliminate duplicative activities and streamline structures within a defined period of time and tied to the President's annual budget request.

Option 8: Revisit the Role of the F Bureau (Office of Foreign Assistance Resources) to Refine its Value Proposition in Supporting Interagency Development Assistance Efforts

The White House would task the NSC to review the F Bureau's mandate to manage current development assistance budgets, coordinate future budget requests, and assess past performance. With input from the interagency, the NSC would assess how the F Bureau has operationalized its responsibilities thus far, recommending to the President and Congress whether and how its value proposition could be strengthened and clarified in the future.

Option 9: Adopt an Interagency Performance-Based Allocation Framework for Development Assistance to Optimize Resources Against Measurable and Transparent Objectives

The White House would form a Task Force of agency, congressional, and private sector experts to recommend how the U.S. government could establish an interagency performance-based allocation framework to guide resource allocation for U.S. development assistance. The Task Force would study existing examples in USG agencies and intergovernmental organizations.

Option 10: Pilot the Formation of American Cooperation Centers within a Select Number of Priority Countries as a Clearinghouse for Interagency Support Responsive to Local Demand

The White House would pilot American Cooperation Centers in 10 countries as a clearinghouse for interagency development assistance activities. Under embassy oversight, the centers would collaborate with local counterparts on a demand-responsive country development strategy. It would source relevant technical expertise and financing from the interagency, with access to a dedicated pot of flexible funding to be disbursed using performance-based allocation criteria.

3.2 Options to Overcome Operational-Level Pain Points

Option 11: Commission a Task Force to Streamline Federal Assistance Regulations and Recommend Predetermined Levels of Acceptable Portfolio-Level Risk

The White House would form a Task Force composed of agency, congressional, and private sector representatives to recommend how the USG could streamline interagency acquisition, procurement, and reporting regulations for development assistance agencies to maintain minimum viable oversight and remove unnecessary requirements. The Task Force would also recommend acceptable levels of pre approved risk across an agency's portfolio.

Option 12: Pilot a Responsible Concessional Lending Window Administered by MCC to Increase Sustainable Debt Financing Available to Support Compacts

Congress could expand the authorities and resources of the Millennium Challenge Corporation to pilot a concessional lending window to increase the total financing available to countries participating in its compacts. Congress could mandate a set of predetermined criteria for concessional lending eligibility and indicators it will use to safeguard sustainable repayment.

Option 13: Prioritize Trade Capacity Building Assistance ("Aid for Trade") in Value-Add Industries within Reauthorizations of Non-Reciprocal Tariff Programs to Boost Utilization Rates and Impact

Congress should renew the Generalized System of Preferences and the African Growth Opportunity Act but mandate that USAID and MCC optimize the targeting of their aid for trade efforts towards countries and sectors eligible under the two agreements to maximize utilization. This could include requiring the agencies to develop focused strategies and targeted advisory services to help eligible countries overcome barriers to participation in the agreements.

Option 14: Invest in Whole-of-Government Metrics to Help Policymakers Communicate with Foreign Publics About the Total Value of the U.S. Contribution to Their Economies

The White House would help agencies identify and scale quantifiable metrics to build shared understanding with foreign publics about the many ways in which U.S. assistance touches and improves their lives. These metrics could include USG bilateral financing, private philanthropic flows, private sector trade and investment, multilateral contributions, and outcomes of interest.

Option 15. Where Possible, Invest Early and Often in Host Government Systems to Withstand Short-Term Shocks and Deliver Long-Term Development Sustainably

Congress should remove roadblocks for agencies to channel more assistance funds through host government agencies. It could mandate transparent performance-based criteria, evaluated and updated annually, to determine country eligibility for government-to-government assistance and at what levels. USG agencies should increase investment in multilateral efforts to build the financial capacity of partner countries to responsibly mobilize and manage public resources.

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Background Research - Chapter 1

Gates Forum II

U.S. Development Assistance: Evolving Priorities, Practices, and Lessons from the Cold War to the Present Day

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AidData | Global Research Institute | William & Mary

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Executive Summary

This paper retrospectively looks at U.S. development assistance at three junctures: the Cold War, the post-Cold War and 9/11 period, and the contemporary era. It discusses how the Global South perceives the U.S. as a development assistance supplier in a crowded marketplace. It surfaces six takeaways for policymakers to consider in how they can strengthen America's development assistance in the future.

Pivot from Strategic Ambiguity to Strategic Clarity. America has an overabundance of plans but a dearth of strategic guidance for what U.S. development assistance should achieve and how it evaluates success. Candor about how aid intersects with other foreign policy tools to advance America's multiple national interests could get the incentives right to reward outcomes, facilitate agency specialization, and support coordination to ensure interagency efforts are more than the sum of their parts.

Move from Operational Incoherence to Operational Complementarity. Development assistance agencies have proliferated—from the Cold War to today. Overlapping mandates, parallel structures, and separate funding create operational incoherence, compounded by competition and lack of coordination. This status quo is a poor use of a meager budget, accounting for less than one percent of federal spending. Partner nations and donors are confused when dealing with a cacophony of interagency voices.

Shift Accountability from Process to Outcomes. Holding agencies accountable for the responsible use of taxpayer money is reasonable. However, runaway procurement and reporting requirements perpetuate an audit culture that rewards compliance and consistency rather than innovation, learning, or ensuring that development assistance dollars generate the outcomes the U.S. and its partner nations want.

Don't Allow Short-termism to Undercut Long-term Interests. Resources have a way of dictating priorities, and a growing share of the funds for America's lead development assistance agency (USAID) in recent years has been focused on humanitarian relief. This state of play makes USAID vulnerable to seeing its long-term development mission displaced by short-term imperatives of crises, conflicts, and disasters.

Reposition U.S. Assistance Tools to Be Responsive to Market Demand. There is a mismatch between what America offers and what its partners want. Few assistance dollars are channeled to build the capacity of local authorities, and financing is limited by a reluctance to deploy concessional lending. While American leaders fixate on infrastructure, the Global South views the U.S. as better positioned to support governance and the rule of law, along with improving social services in areas like health and education.

Words and Deeds Must Go Hand-in-Hand to Overcome a Credibility Deficit. Global South leaders are uninterested in a geostrategic tug-of-war between Washington and Beijing or Moscow. They want to hear and see America embrace a pro-development, rather than anti-competitor, strategy. Counterpart countries are less interested in big promises than in seeing America follow through on its commitments, be responsive to partner priorities, and show global leadership in mobilizing strong coalitions.

Acronyms

BRI	Belt and Road Initiative
CDC	Center for Disease Control
Commerce	U.S. Department of Commerce
Defense	U.S. Department of Defense
DAC	Development Assistance Committee
Energy	U.S. Department of Energy
F Bureau	State Department Office of U.S. Foreign Assistance
Labor	U.S. Department of Labor
MCC	Millennium Challenge Corporation
NSC	National Security Council
ODA	Official Development Assistance
OECD	Organization for Cooperation and Development
OOF	Other Official Flows
OPIC	Overseas Private Investment Corporation
PEPFAR	President's Emergency Plan for AIDS Relief (PEPFAR)
PRC	People's Republic of China
State	U.S. Department of State

Treasury	U.S. Department of Treasury
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USDFC	U.S. Development Finance Corporation
USG	U.S. Government
USTDA	U.S. Trade and Development Agency

This paper aims to answer several critical questions:

- How have U.S. development assistance priorities and practices evolved? What pain points undercut America's ability to use this tool to advance its interests?
- In a competitive marketplace, how attractive is the U.S. offer as a preferred partner and development model vis-a-vis the alternatives?
- What lessons might we draw to strengthen U.S. development assistance efforts in the future and better align supply with demand?

1. Introduction

U.S. development assistance in 2023 is under-resourced, operationally fragmented, and beleaguered by perception problems at home and abroad. What was once a source of strength is now a vulnerability at a time when development assistance is more critical to America's national security than ever before. Countries must increasingly work together to navigate overlapping crises and address transnational challenges, all while ensuring progress towards a fairer, greener, and more prosperous world. In an era of great power competition, development assistance has become an arena for contestation as states jockey for influence.

The starting point of any reform effort begins with a sound diagnosis of where we are and how we got here. This paper takes a retrospective look at U.S. development assistance at three critical junctures: the Cold War (1946-1991), the post-Cold War and 9/11 period (1992-2009), and the contemporary era (2010-2023). It discusses how counterparts in the Global South perceive the U.S. as a development assistance supplier in an increasingly crowded marketplace.

Rather than an exhaustive history, this chapter is a scene-setter: baselining the state of play, identifying what is working, what is not, and why, and surfacing lessons in how we might think and work differently to strengthen U.S. development assistance in the future. The focus of this first chapter is primarily on the U.S. government (USG), while Chapter 2 in this research volume takes a closer look at the private sector.

This analysis employs a mixed methods approach: (i) in-depth background interviews with policymakers and practitioners; (ii) desk research to evaluate assistance strategies, policies, and practices; and (iii) quantitative analysis of U.S. development financing and a global perceptions survey conducted by AidData in 2023.

Section 2 provides a limited historical overview of how U.S. development assistance priorities and practices have evolved from the Cold War to today. Section 3 assesses U.S. development assistance within a broader marketplace, along with insights on how counterparts in the Global South perceive this offer. Section 4 concludes by surfacing several forward-looking lessons and takeaways from this retrospective analysis.

Note on Terminology:

This paper examines how the USG supplies grants, loans, and other debt instruments, along with in-kind and technical assistance, to support development in other countries. Both Official Development Assistance (ODA) (i.e., grants and no- or low-interest loans referred to as 'aid') and Other Official Flows (OOF) (i.e., loans and other debt instruments approaching market rates referred to as 'debt') are included in this discussion, as are humanitarian and long-term development assistance. Military aid is excluded. For ease of reading, the paper uses generic terms "development assistance" and "aid" as catchalls for these various and diverse instruments. In instances where the particular modality matters (i.e., grants versus loans), the paper uses more specific terms to avoid confusion.

2. Strategic Directions, Authorizing Mandates, and Operational Practices

U.S. foreign assistance agencies have an overabundance of strategies and plans—at region, sector, agency, and even interagency levels (USAID, 2023). Nevertheless, there is a dearth of high-level strategic guidance to build consensus and coherence around (i) what U.S. development assistance should achieve; (ii) how this instrument of national power should work in harmony with others in the toolkit to advance America's interests; and (iii) how each agency's contributions add up to more than the sum of their parts.

Some of this status quo reflects uncertainty and unease over the fact that U.S. development assistance is not an end in and of itself but a means to advance four enduring national interests:

- The U.S. has a humanitarian interest to improve the lives of citizens in other countries and strengthen the ability of governments to deliver peace, prosperity, and stability.
- The U.S. has a security interest in protecting Americans from harmful spillovers due to poverty and fragility, natural disasters, eroding democracies, and climate change.
- In an era of geostrategic competition, there are reputational benefits from America building goodwill with foreign leaders and publics, which advances diplomatic interests.
- The U.S. has an economic interest in seeing countries become more prosperous and open two-way trade, investment, and innovation as a boon to the American economy.

2.1 Cold War Era (1946-1991)

As early as the 1930s and 40s, American leaders promoted a liberal, capitalist world order as vital to securing U.S. national interests. In the aftermath of World War II, the potential for communist parties to exploit economic discontent in war-torn Europe and farther afield threatened this order and hastened the emergence of the development assistance architecture we have today. A succession of U.S. presidents, Republican and Democrat, saw development assistance as strategically valuable for advancing America's national security, with varying degrees of initial skepticism. Development assistance began as a "temporary expedient" (Lancaster, 2007) but became an enduring tool in the U.S. foreign policy arsenal. Presidents Truman, Eisenhower, and Kennedy made a series of consequential decisions, setting the U.S. down a multi-decade path to become the largest supplier of development assistance.

A combination of factors triggered a strategic reset in the 1970s and 80s: concerns regarding the spread of communism diminished, critics raised the alarm that U.S. development assistance was not effective in improving the lives of the poor, and the U.S. public became more cognizant of how humanitarian and debt crises affected other countries. New strategic imperatives arose as Presidents Carter, Reagan, and Bush embraced aid as an inducement for peace in the Middle East or to incentivize economic reforms. Long-standing aims endured, such as the U.S. interest in promoting a rules-based order of democratic values, free markets, and private sector-led development. Executive and Congressional leaders commissioned studies and committees to improve the effectiveness of U.S. development assistance, but few reform efforts took off. Legislators added new organizations and requirements for how funds were to be used.

2.1.1 Stated Priorities in the Cold War

In 1947, Truman convinced Congress to provide US$400 million in economic assistance to repel a communist insurgency in Greece and Moscow's territorial claims in Turkey (Lancaster, 2007). He galvanized Congressional support for a US$13.3 billion Marshall Plan to support post-war recovery and reconstruction in Western Europe. (ibid). Primarily grant-based financing, the 1948 Economic Recovery Act was generous-spirited but not without strings. It furthered commercial interests by requiring countries to reduce trade barriers for U.S. goods. Wary of the 1949 communist revolution in China and the outbreak of conflict on the Korean peninsula, Truman's 1951 Mutual Security Program expanded assistance to Asia (ibid).

Beyond these geographically bounded efforts, Truman announced the first global U.S. foreign aid program in his 1949 inaugural address (the Point Four Program). The Foreign Economic Assistance Act of 1950 laid the legislative groundwork for this technical assistance program, which shared U.S. scientific and industrial knowledge to convince the world's emerging economies of the benefits of market-based democracy (Gates, 2020). U.S. leaders took great pains to emphasize that to succeed in this ambitious undertaking, technical assistance must be a shared enterprise with government agencies working in collaboration with the private sector.

Eisenhower initially promised to pursue a 'trade not aid' agenda but instead doubled down on assistance to safeguard Cold War alliances and counter an assertive Soviet Union intent on expanding its sphere of influence (Lancaster, 2007). In 1954, he won Congressional support to create a food aid program (Public Law 480), redeploying agricultural surpluses on concessional terms to assist countries facing food shortages and benefit U.S. commercial interests (ibid).

Eisenhower also expanded low-cost financing to bankroll development projects through the 1957 Development Loan Fund and two multilateral efforts: the World Bank's International Development Assistance no or low-interest loan window in 1958 and the Inter-American Development Bank. His motivation was partly hard-eyed realism, the need to temper anti-American sentiment in Latin America and the world (ibid). The timing was significant as the Soviet Union began to scale its technical assistance offerings to the developing world.

Kennedy has had the most enduring influence on the architecture of U.S. assistance. Declaring a new "Decade of Development," he worked with Congress to pass the 1961 Foreign Assistance Act, merging the Eisenhower-era Development Loan Fund and International Coordination Agency into the Agency for International Development (USAID) (Lancaster, 2007). The 1961 act vested the President the authority to decide how aid is delivered but banned assistance to communist countries or those engaged in gross violation of human rights. It left the Department of Treasury (Treasury) responsible for multilateral development banks. It placed USAID in a somewhat ill-defined position as a semi-independent agency at the sub-cabinet level, reporting to the President via the Secretary of State, who provides policy guidance. The 1961 act remains the authorizing rationale for U.S. assistance today.

Like his predecessors, Kennedy valued foreign aid as an instrument of national power to promote economic growth that would buttress countries against the lure of communism. Kennedy was concerned that Fidel Castro's charismatic populism would win over countries in the Western Hemisphere (Lancaster, 2007). His 1961 Alliance for Progress in Latin America intended to achieve a double benefit: investments in education or infrastructure projects would not only help other countries modernize their economies and societies but do so in ways that would also reduce the appeal of communism (ibid). His formation of the Peace Corps that same year follows a similar logic to public diplomacy programs: it put a human face on U.S. assistance by sending American volunteers abroad to support community-based development projects in ways that build personal relationships and goodwill between the people of two nations.

By the mid-1960s, U.S. bilateral development assistance comprised three programs: Development Assistance (allocated and managed by USAID); Security Supporting Assistance, which later became the Economic Support Fund (disbursed by State but managed by USAID); and Food Aid (initially issued by an interagency group but managed primarily by USAID). Criticisms of U.S. development assistance grew louder and more high-profile: uncertainty over whether investments were benefiting the poor; concerns over balancing multiple objectives for aid programs; arguments that multilateral channels were more effective than bilateral channels to deploy assistance; and assertions that aid was no longer necessary as the intensity of the competition with the Soviet Union abated.

Johnson and Nixon formed committees, the General Advisory Committee on Foreign Assistance Programs or Perkins Committee and the Peterson Commission, respectively, to conduct studies and recommend reforms

(Lancaster, 2007; Nowels, 2007). Both committees suggested greater emphasis on working through multilateral channels, among other recommendations, to improve the effectiveness of U.S. assistance dollars in achieving development goals (Asher, 1971). Nixon adopted some of these recommendations in proposals to Congress, but they failed to resonate. Congressional leaders were dissatisfied and refused to reauthorize aid on multiple occasions (Nowels, 2007). It took the "New Directions Legislation" (1973 Foreign Assistance Act) to break the logjam. The legislation restructured U.S. assistance to emphasize the basic needs of the rural poor in critical sectors (e.g., education, agriculture, population, energy, environment) (ibid).

Policymakers added more development assistance organizations during this time. The Foreign Assistance Act of 1969 authorized the Overseas Private Investment Corporation (OPIC) to crowd in private sector support for development by helping companies manage risk associated with foreign direct investment and gain footholds in new markets to spur economic growth at home and abroad. The legislation established the Inter-American Foundation as an "experimental program" to fund community-led development activities in Latin America and the Caribbean.

President Carter formed the International Development Cooperation Agency in 1979 as an "umbrella organization" to oversee and coordinate all development assistance programs. However, the agency lacked sufficient authority to realize this vision in practice. Citing the Inter-American Foundation as a success, the African Development Foundation Act of 1980 created an independent agency with a similar structure and ethos in supporting locally-led grassroots development activities but adapted to the needs of Africa.

In the 1970s and 1980s, shifts in the broader geostrategic landscape influenced how the American public and political leaders thought about the purposes of aid. Americans were transfixed by images and stories of humanitarian disasters, from droughts in Ethiopia to floods in Bangladesh, stoking popular support for the U.S. to provide relief (Lancaster, 2007). A conflict between Egypt, Syria, and Israel prompted the Organization of Petroleum Exporting Countries to mount an oil embargo, quadrupling oil prices with several cascading effects: foreign exchange shortages for petroleum importers, rising commodity prices, unsustainable borrowing, and widespread debt crisis. Ford and Carter embraced aid as an inducement for peace in the Middle East. Reagan overcame his predisposition to reduce aid dramatically and oversaw a significant increase in bilateral assistance. He came to appreciate aid as a means of shoring up sympathetic governments in Latin America in the face of “leftist challenges” and creating financial incentives for partner countries to enact politically difficult economic reforms.

To professionalize the delivery of development assistance, executive branch agencies adopted new ways of working: introducing official development strategies and policies to guide their efforts, including an assessment of economic conditions and a theory of change (i.e., logical frameworks) to inform programming, as well as investing in project evaluation and engaging with other members of the OECD Development Assistance Committee (DAC).

Both executive and congressional leaders continued to form new committees to study development assistance and recommend reforms. Reagan appointed the 1983 Carlucci Commission to clarify the relationship and roles of development versus security assistance, while the House Foreign Affairs Committee gave the Hamilton-Gilman Task Force of 1988-89 to reexamine objectives, roles of Congress versus the executive branch, and restrictions on financing and budgets shaping how U.S. development assistance was designed and delivered.

2.1.2 Revealed Priorities in the Cold War

Between 1946 and 1991, the United States obligated nearly US$1.1 trillion (constant USD 2019) in economic assistance or about US$23.7 Bn per year on average over 46 years. Asia and Western Europe each attracted roughly one-quarter of this assistance in the Cold War era.[2] The Middle East and North Africa region came in third (13%). The largest country recipients closely align with the stated priorities of congressional and executive leaders: support post-war economic recovery in Europe, bolster allies to withstand the spread of

[2] These estimates are based upon the authors’ analysis of U.S. economic assistance obligations as categorized within the U.S. Greenbook (2019) and supplemented by FA.gov for later years.

communism in Asia, and secure peace in the Middle East. Development and military assistance went hand-in-hand: the ten largest country recipients of development assistance dollars also received the most military aid. Comparatively, other regions of the world tended to receive more assistance from the U.S. through economic (rather than military) aid.

Of course, money is only one indication of relative priority. If we look at the number of USG agencies funding development activities in a country, we see a very different story. Twenty-one countries had 7 to 8 USG agencies operating within their borders during the Cold War era. However, the profile of these countries is decidedly different from the large dollar recipients above, as they are predominately in Latin America and Sub-Saharan Africa, along with India. On the opposite end of the spectrum, the countries with the fewest agencies involved are those with relatively small populations.

2.2 Post-Cold War & 9/11 Era (1992-2009)

The fall of the Soviet Union sparked discussion and debate over the continued utility of development assistance in advancing America's national interests abroad with the shift from a bipolar to a unipolar world. Nevertheless, even as leaders across the political spectrum debated the aims, budgets, and structure of aid, they oversaw more than a two-fold increase in the number of USG agencies involved in development assistance in U.S. history—from 8 in the Cold War to 20 in the post-Cold War and 9/11 era.

Absent a single animating threat to unify disparate political interests, U.S. development assistance in the 1990s navigated two countervailing forces. Congressional and executive branch leaders explored new use cases for development assistance dollars: help post-Soviet states transition to market-based democracies, promote democracy to strengthen international security, tackle global public goods like the environment and HIV/AIDS, and facilitate peaceful reconstruction after prolonged conflicts. Meanwhile, development assistance dollars and agencies became attractive targets for leaders to reduce the size and cost of the federal government, on principle (the desire for a smaller government) or pragmatism (the need to tackle the national deficit).

In the early 2000s, American leaders faced a fundamentally different geostrategic playing field: instability and terrorism threatened to undermine the international rules-based order. The 9/11 terrorist attacks made Americans acutely aware that conflict and discontent with U.S. policies abroad could harm their daily lives at home. Policymakers saw development assistance as a critical instrument in tackling root issues of poverty and inequality that, if left unaddressed, could metastasize into tyranny, violence, and extremism.

The transition to a 24-hour news cycle and increasing accessibility of international travel made it easier for the American public (and their elected officials) to learn about other countries. Faith-based groups, particularly the Christian right, became vocal about their desire to see the U.S. providing relief to countries in crisis in grappling with everything from natural disasters to debt forgiveness and public health challenges like HIV/AIDS. Political leaders became more aware of the need to counterbalance an increasingly assertive (and preemptive) military posture with visible acts of generosity to win the hearts and minds of foreign publics.

2.2.1 Stated Priorities in the Post-Cold War and 9/11

President George H.W. Bush saw that development assistance could help non-communist parties in Eastern Europe and post-Soviet states transition to free market democracies with multiparty elections (Lancaster, 2007). In this vein, the U.S. Trade and Development Agency (USTDA) was established in 1992 as an independent agency via the Jobs Through Exports Act. USTDA blended a commercial and developmental mission to promote exports of U.S. goods and services to support sustainable infrastructure development and economic growth in emerging economies. The roots of USTDA began as a program initially overseen by USAID in the 1970s to broker access to U.S. technical assistance, technology, and equipment to emerging economies.

His successor, President Bill Clinton, argued it was time for the U.S. to enjoy a "peace dividend" and redeploy its resources to support "government reinvention” at home, curbing debt-fueled spending to rebalance the federal budget (Norris, 2014). Clinton’s position on foreign aid was a defensive maneuver: he believed that Bush’s failure to win a second term was due to growing discontent among the American public that Bush had paid insufficient attention to domestic concerns (ibid). The administration was hesitant to highlight development assistance in high-level speeches (Lancaster, 2007).

President Clinton asked Clifford Wharton to redesign U.S. development assistance for the post-Cold War reality. The Wharton report focused on process issues that inhibited the effective delivery of aid, such as earmarking and directives in appropriating the development assistance budget and removing other restrictions (Nowels, 2007). It informed the draft Peace, Prosperity, and Democracy Act in 1993, which later stalled in Congress.

Much of the Clinton administration’s track record on development assistance was dictated by a contentious relationship with Congress. U.S. agencies had their budgets drastically slashed, personnel numbers reduced, and morale tested as political leaders debated eliminating USAID (Gates, 2020). Clinton’s Secretary of State Warren Christopher sought to wrest control of foreign aid resources away from USAID, suggesting that Vice President Gore “lead a study on the issue of merging USAID into State” (Lancaster, 2007). Ultimately, the Foreign Affairs Reform and Restructuring Act of 1998 abolished the International Development Cooperation Agency (the Carter-era coordination body for development assistance) and established USAID as an independent agency under the authority of the Secretary of State.

The Clinton administration still enacted several executive-branch-led reforms and innovations. It closed USAID missions in 26 countries (Norris, 2014). Clinton established the Office of Transition Initiatives to support nations in conflict moving from near-term stabilization to long-term development (Savoy & Yayboke, 2017). Perhaps the most ambitious effort was Plan Colombia (the Andean Counterdrug Initiative of 2000). By the late 1990s, the U.S. was reaping the rewards of its fight against debt-financed spending and enjoying a budget surplus. This fiscal flexibility created a window of opportunity to help a key partner in Latin America forestall a collapse in their democratic governance.

President Clinton galvanized bipartisan support from Congress by linking the American public's concerns over drug addiction to tackling illicit coca production and narcotics trafficking in Colombia (Shifter, 2012). This argument was compelling—an estimated 90 percent of cocaine making it to the United States came from Colombia (ibid). There was a geostrategic element for those concerned about instability in the Western Hemisphere as illicit coca production and trafficking financed armed revolutionary groups. The activities of these groups had prompted a mass exodus from the country, providing a development imperative for action.

Plan Colombia was imperfect. It garnered criticisms for civilian casualties in counter-insurgency campaigns and deemphasizing Colombia's domestic economic and security needs relative to America's focus on curbing coca production (ibid). Nevertheless, importantly, it demonstrated how the U.S. could pool resources with counterparts to tackle a big challenge, which straddled development and security concerns in ways that advanced the interests of both countries.

President George W. Bush changed the tenor of discussion around U.S. development assistance. In the wake of the 9/11 terrorist attacks, he elevated development as one of three priorities within the 2002 National Security Strategy, alongside defense and advancing democracy abroad. Bush matched his rhetoric with decisive action: announcing ambitious goals, including an annual $5 billion increase in funding for a new compact for global development (the Millennium Challenge Account) and US$15 billion to help countries fight HIV/AIDS (Lancaster, 2007). He was uniquely willing to put his political capital on the table to personally lobby Congressional leaders to get this done, which was likely critical to his success (ibid). Bush's 2006 National Security Strategy enshrined promoting human rights, freedom, and democracy as one of two pillars to guide U.S. foreign policy for his second term in office (Daalder, 2006).

The issue of what to do about USAID continued in the early 2000s as Bush experimented with new agencies, offices, and coordination vehicles. Some structures were temporary (e.g., the Iraq Coalition Provisional Authority), while others stayed within the confines of an existing agency, namely the Coordinator for Reconstruction and Stabilization at State (Brainard, 2007). However, there were also several new players with more substantial authority, political constituencies, and staying power. These players also shared a commonality of clawing back control over elements of the development agenda traditionally managed by USAID and signaling a lack of confidence in the agency.

The Millennium Challenge Corporation (MCC) was established in January 2004 with the passage of the 2003 Millennium Challenge Act. The legislation, instigated by President Bush, created a government entity with the mandate to promote economic growth, reduce poverty, and strengthen institutions in ways that support stability in partner countries. In a departure from the expectations set for USAID, MCC's design allowed the agency to be selective about where it worked, provide time-limited grants (compacts), design projects responsive to country priorities and solutions rather than Congressional or executive branch mandates, screen projects using cost-benefit analyses, and transparently evaluate results (Parks, 2019). MCC uniquely operates as a "wholly-owned corporation headed by a Chief Executive Officer and reporting to a Board of Directors composed of State, USAID, Treasury, the CEO, and four private sector individuals" (Custer, 2022).

Again personally championed by President Bush, the President's Emergency Plan for AIDS Relief (PEPFAR) was formed in 2003 with the passage of the U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act (Morison, 2007). The legislation uniquely endowed the Office of the PEPFAR Coordinator with significant budget authority over global health funding to combat these three diseases and elevated its political prominence as a seventh-floor entity within the State Department (Brown, 2022). The PEPFAR Coordinator position and office shared similarities by design with anti-terrorism task forces, which have the authority and operational capacity to nimbly deploy resources quickly across large geographies and with myriad partners (ibid).

Today, USAID is one of the largest implementers of programs funded by PEPFAR, along with the Center for Disease Control (CDC), National Institutes of Health, Labor, Commerce, Defense, and the Peace Corps (KFF, 2023; Savoy & Yayboke, 2017). PEPFAR has been reauthorized multiple times via the 2008

Lantos-Hyde Act, the 2013 Stewardship Act, and the 2018 PEPFAR Extension Act. However, PEPFAR faced substantial headwinds in 2023 as legislators struggled to mobilize a bipartisan majority to renew the program's authorization set to expire in September for another five years. Should Congress fail to pass a reauthorization in time, PEPFAR would continue. Still, several of its time-bound provisions related to how HIV/AIDS funding is allocated, the U.S. contribution to the Global Fund, and reporting oversight would sunset (Moss & Kates, 2023).

Occasionally, congressional and executive branch leaders conveyed more confidence in USAID's ability to shepherd important interagency initiatives. For example, the President's Malaria Initiative, led by USAID and co-implemented with the CDC within the Department of Health and Human Services, helped countries in sub-Saharan Africa control and eliminate malaria by delivering cost-effective, life-saving malaria interventions and technical assistance.

One of the more contentious decisions was the 2006 formation of the Office of U.S. Foreign Assistance (F Bureau) under Secretary of State Condoleezza Rice. The office oversees and coordinates U.S. development assistance resources focusing on policy, planning, performance management, and strategic direction. Critics saw this as an attempt to strip USAID of policy, planning, and budget functions and transfer these responsibilities to the State Department.

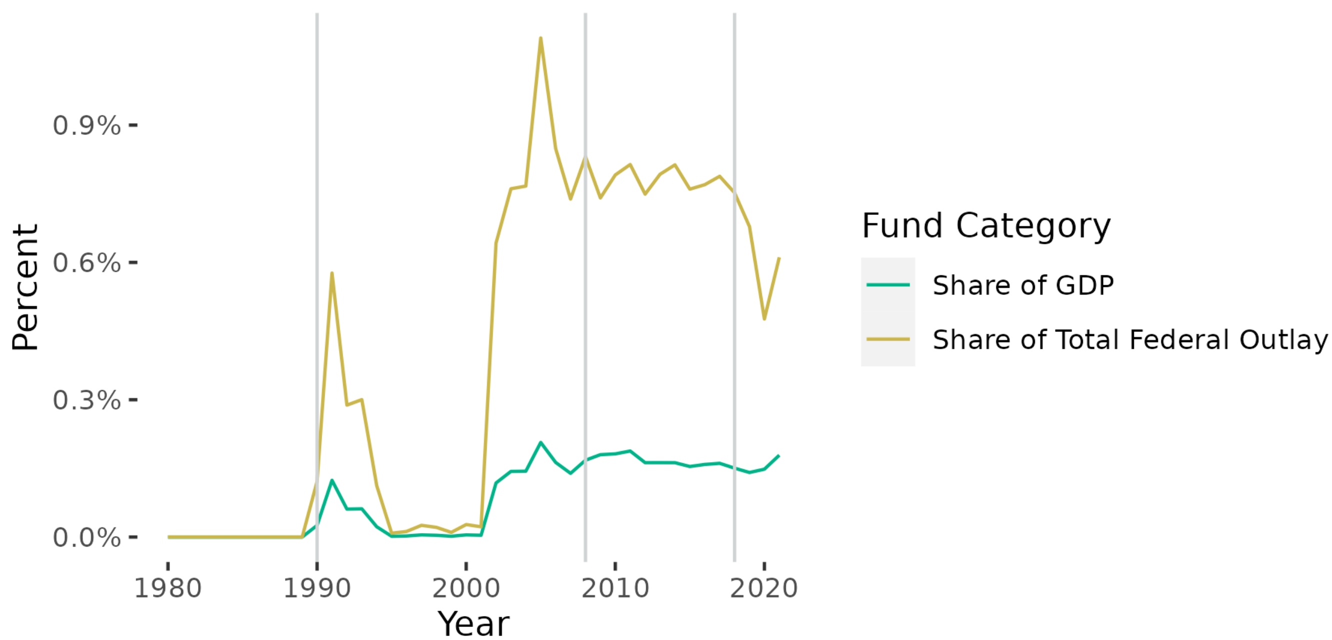
2.2.2 Revealed Priorities in the Post-Cold War and 9/11 Period

The USG obligated US$23.5 Bn (constant USD 2019) per year to development assistance between 1992 and 2009: roughly US$0.2 Bn less per year on average for a total of US$423 Bn (constant USD 2019).[3] However, this average obscures a high degree of volatility: the plummeting share of the total federal outlay in the 1990s coincided with the strategic ambiguity over the utility of aid in the Clinton administration. In comparison, the dramatic upswing in development assistance

[3] These estimates are based upon the authors' analysis of U.S. economic assistance obligations as categorized within the U.S. Greenbook (2019) and supplemented by FA.gov for later years.

dollars in the early 2000s corresponded with George W. Bush's elevation of development as central to U.S. national interests (Figure 1).[4]

Figure 1. U.S. Development Finance as a Share of GDP and Federal Spending (1980-2021)



Sources: OECD Creditor Reporting System (1980-2021). Overall federal expenditures were obtained from the Office of Management and Budget's Historical Table 4.1—Outlays by Agency (1962-2027).

Noticeably, 5 of the 10 top country recipients of U.S. assistance dollars during this period had relatively large Muslim populations: Afghanistan, Egypt, Ethiopia, Iraq, Jordan, Pakistan, and Sudan. This budget allocation was consistent with leaders' stated desire to rebuild goodwill in the Arab and Muslim world and deter future terrorist threats. The continued emphasis on Egypt and Israel signals lasting interests in securing peace in the Middle East, while the emergence of Russia as a primary recipient of development assistance was in step with U.S. diplomatic rhetoric to support the country's transition to a free market democracy following the fall of the Soviet Union. Unsurprisingly,

[4] The spike in development assistance funding in 1991 is partly due to US$9 billion of debt rescheduling and refinancing to Egypt.

Colombia was also one of the largest recipients of economic assistance during this time, consistent with the robust bipartisan support for Plan Colombia since 2000.

Once again, the top ten economic assistance countries also received the most military aid. Beyond the top recipients, the regional distribution shows a marked change in the focus of U.S. economic assistance in line with the stated aims of political leaders. The Middle East and North Africa attracted nearly one-quarter of the U.S. economic assistance budget, jumping ahead of Asia (11 percent) and Western Europe (less than 1 percent).

Strikingly, the post-Cold War and 9/11 era was notable for another reason: USG agencies funding overseas development activities more than doubled—from 8 to 20. Although many of these agencies had specific geographic focuses, the number of agencies operating in a single country also grew from 4 to 9 on average, increasing the coordination burden for those receiving this assistance. The implications were particularly stark for the top nations on this measure, which had 15 to 17 USG agencies operating in their borders during this time.

If the number of agencies indicates revealed priority, then these show a greater emphasis on Latin America and Sub-Saharan Africa, along with the People's Republic of China (PRC), Russia, Kyrgyzstan, and Ukraine. Post-Soviet countries attracted the most significant uptick in the number of agencies they were engaging with during this time, perhaps reflecting the U.S. emphasis on supporting their transition to market democracies. On the opposite end of the spectrum, the countries with the fewest agencies involved were those with relatively small populations or where there was a shift in priorities (i.e., pivot away from post-war reconstruction in Europe).

2.3 Contemporary Era (2010-2023)

2.3.1 Stated Priorities in the Contemporary Era

President Barack Obama carried forward his predecessor George W. Bush's emphasis on global health when he assumed office in 2009. However, reminiscent of Bill Clinton's approach to galvanize bipartisan support for Plan

Colombia, Obama argued in his 2010 national security strategy that "when a child dies of a preventable disease, it offends our conscience; when a disease goes unchecked, it can endanger our health." In other words, we have a moral interest and a strategic one to strengthen health systems in other countries: Americans are made safer by ensuring that pandemics and infectious diseases do not reach our shores (CFR, 2010). Obama also emphasized the instrumental use of development assistance within a more considerable effort to stop conflict, counter criminal networks, and grow the ranks of prosperous, democratic states that will be capable partners in helping the U.S. address global challenges (White House, 2010).

Later that same year, Obama released a Presidential Policy Directive on Global Development to lay out his vision of sustainable development through investing in broad-based economic growth, democratic governance, and game-changing innovations (e.g., vaccines, clean energy, weather-resistant seeds). The U.S. would embrace a new operational model to be an effective partner to accomplish this idealized future. The features of Obama's model noticeably echoed refrains of the design of MCC but scaled to U.S. development assistance writ large: greater selectivity in sectors and countries; stronger emphasis on country ownership, responsibility, and priorities; and systematically tying resources to results.

Obama argued that for this strategy to succeed, the U.S. must elevate development, alongside defense and diplomacy, "as indispensable in the forward defense of America's interests." He identified several mechanisms in an attempt to ensure coherence across the interagency players involved in development assistance and other elements of foreign policy: a Global Development Strategy every four years, an integrated Quadrennial Defense, Diplomacy, and Development Review (conducted in 2010 and 2015), an Interagency Policy Committee on Global Development reporting to the Deputies and Principals Committees of the National Security Council (NSC), and included the USAID Administrator in relevant meetings.

By 2015, Obama's second national security strategy saw the resurgence of great power rivalry and global terrorism as existential threats to U.S. interests in an "age of upheaval" (White House, 2015). Obama identified a list of strategic risks for U.S. action. Many of these risks fell (at least in part) within the remit of development assistance: confronting climate change, averting a global economic crisis, curbing infectious disease outbreaks, reducing instability in weak or failing states, and preventing energy market disruptions. Taking a defensive posture in response to criticism of the administration's policies on Syria and Iraq (Patrick, 2015), Obama argued that "strategic patience" was needed in America's approach to helping countries transition from conflict and crisis to build robust institutional foundations for future stability.

In the tradition of past presidents, Obama promoted signature initiatives or innovations to advance the administration's key priorities—some of which fizzled out quickly, but at least two that enjoyed relative success and staying power across two subsequent administrations. The first was Feed the Future, based on Obama's pledge at the 2009 G8 Summit to mobilize US$3.5 Bn over three years to combat food insecurity due to skyrocketing world prices (Lawson et al., 2016). Led by USAID and implemented with ten USG agencies, along with private sector and civil society partners, Feed the Future promotes food security beyond emergency food aid and helps 19 focus countries boost agricultural yields and improve market access (ibid).

Feed the Future incorporates elements from the MCC playbook: country selection using predetermined criteria, emphasis on country ownership and performance, and a commitment to managing for results with transparently published standard metrics to monitor, evaluate, and justify its investments (ibid). The initiative is imperfect—interagency roles are ill-defined, and using performance data to make decisions leaves much to be desired (Lawson et al., 2016; GAO, 2021). Nevertheless, Feed the Future has charted successes: "it helped lift 23.4 million people out of poverty, prevent stunting in 3.4 million children, and create opportunities for 5.2 million families no longer suffering from hunger" (Speckhard, 2020).

Critical to its longevity, Feed the Future won congressional support to institutionalize the program via the Global Food Security Act of 2018 and the Global Food Security Reauthorization Act of 2022. Feed the Future also crowded in nine other bilateral and private philanthropic donors to pool resources towards shared goals via the Global Agriculture and Food Security Program, a multi-donor trust fund operated by the World Bank (2023).

Power Africa is a second Obama-era innovation that has earned hard-won bipartisan praise. With a commitment to double access to electricity in Sub-Saharan Africa (White House, 2015), the initiative launched in 2013 has charted notable wins over the last decade: electricity access for 18 million homes and businesses and 11,000 megawatts of power generated (Auth et al., 2021). Power Africa demonstrated that the USG could be an effective partner: it crowded in "billions of dollars of private sector capital," inspired public and private sector actors en masse in the U.S. and Africa to cooperate towards a single animating goal, and promoted Africa as an attractive destination for future investments in clean energy generation (ibid).

One of the hallmarks of Power Africa was the White House political leadership saying, 'we're going to do this' and holding agency bureaucracies accountable to get it done—a trait shared by similar success stories like PEPFAR and MCC in the George W. Bush era. Like other initiatives with staying power across administrations, what began as an executive branch innovation was fully institutionalized via the 2015-2016 Electrify Africa Act, which passed Congress with bipartisan support.

Power Africa has yet to realize its ambitious goal of adding 30,000 megawatts of clean energy, and it faces headwinds in 2023 as the initiative must evolve to navigate new challenges posed by COVID-19, rapid African urbanization, and climate change (Auth et al., 2021). Nevertheless, many Republicans and Democrats are interested in replicating the initiative's success in harnessing private sector, interagency, and civil society cooperation around a single issue and applying this model to tackle grand challenges in other sectors (e.g., food production, vaccine production, closing the digital divide). Others urge caution and argue that America should focus on delivering on consequential energy sector commitments before scaling further.

The Obama administration also put in place more modest innovations that were consequential in other ways. It promoted greater transparency around U.S. development assistance efforts by launching the Foreign Aid Database in 2010 and signing the Foreign Aid Transparency and Accountability Act in 2016. The administration set in motion a USAID Forward reform agenda to deliver results at scale, achieve sustainable development with partnerships and locally-led solutions, and mainstream breakthrough innovations. Essential features of these reforms included the use of Country Development Cooperation Strategies, evaluations to inform forward-looking planning, and the Development Innovation Ventures fund to test and scale innovations based on results.

The Obama administration also piloted a mechanism to attract specialized talent via the Presidential Innovation Fellows program, which recruits "leading entrepreneurs, innovators, developers, designers, and engineers" from the private sector for a limited-term placement in federal government agencies (White House, 2015). Obama launched the program in 2012 and made it permanent with his 2015 executive order.

The ascendance of President Donald Trump in 2016 changed the game for development assistance in several ways. Many U.S. presidents and political leaders have justified overseas development as instrumental to advancing U.S. national interests. However, President Trump took this a step further, saying that U.S. foreign policy, including development assistance, would prioritize America's interests "first" and above all others. In this vein, Trump's 2017 national security strategy argued that the U.S. would prioritize its development assistance based on alignment with U.S. interests. Initially, the Trump administration sought to curtail U.S. development assistance aggressively: it proposed budget cuts of nearly one-third for State and USAID. It pursued a reorganization plan that considered merging USAID into State (Ingram, n.d.).

Trump's 2017 national security strategy showed that his primary interest in development assistance was to advance U.S. influence abroad, particularly given heightened competition with "adversaries" like the PRC and Russia. Unlike his immediate predecessors, democracy promotion and climate change largely vanished from Trump's agenda, replaced with an emphasis on economic progress. Trump's strategy signaled selectivity differently: prioritizing countries based upon alignment with U.S. interests (e.g., free market, the rule of law, fair and reciprocal trade). Finally, though past presidents acknowledged their desire to broker effective partnerships with the private sector, Trump was more explicit in stating his intent that America would "shift away from reliance on assistance based on grants to approaches that attract private capital."

The Trump administration's most significant development assistance reform was the creation of the U.S. International Development Finance Corporation (DFC). Established in 2019, following the passage of the 2018 Better Utilization of Investments Leading to Development Act, the DFC integrated the capabilities of the former OPIC and USAID's Development Credit Authority to create new financial products to reduce barriers to entry for U.S. companies to invest in low- and middle-income countries.

Unlike other U.S. development assistance agencies, which deal primarily in grants, the DFC offers loans, loan guarantees, political risk insurance, equity investments, and technical cooperation. Furthermore, the legislation doubled the agency's total cap (i.e., the money it can invest) from US$29 Bn to US$60 Bn. Chapter 2 offers a more in-depth look at some of the DFC's early successes, challenges, and lessons in mobilizing private sector capital.

The Journey to Self Reliance, a second Trump-era reform championed by then USAID Administrator Mark Green, sought to fundamentally change how the agency decided where to work, how to work, and to what ends. The initiative envisioned countries moving along a continuum towards greater self-reliance: having sufficient "capacity to plan, finance, and implement solutions to local development," as well as the "commitment to see these solutions through effectively, inclusively, and with accountability" (Runde et al., 2021).

Several Journey to Self Reliance innovations share similar ingredients critical to MCC's success. The Journey to Self Reliance Country Roadmaps, a diagnostic tool for assessing country progress, parallels MCC's country scorecard. The emphasis on treating counterparts as equal partners and co-creators (ibid) echoes MCC's operating principle of country ownership. The idea that countries could become less reliant on development assistance opened the door for USAID to be selective in recalibrating its programs based on partners' relative needs and the opportunity for progress.

When President Joe Biden took office in 2021, he faced a formidable challenge—a global pandemic, COVID-19. Biden's decision to give USAID Administrator Samantha Power a permanent seat at the table in the NSC Principals Committee sent a powerful signal that issues of development assistance would factor into broader discussions of U.S. foreign policy at the highest levels. Trump similarly gave Administrator Mark Green a formal role in the decision-making body but at a somewhat lower level: the Deputies Committee (Igoe, 2021).

In his 2022 national security strategy, Biden references foreign assistance by name three times in the context of helping partner governments fight corruption, supporting global health security through investing in early warning and forecasting for infectious diseases, and providing countries with access to sound, sustainable financing (in contrast to debt-fueled spending at unsustainable interest rates). Development finance was referenced once concerning embedding climate change into investment strategies. Biden emphasized cooperation with like-minded democracies to compete with "adversaries and autocracies" provided a very explicit framing of U.S. foreign policy, including development assistance, as seeking to counter malign foreign influence in ways reminiscent of countering communism in the Cold War.

With this strategic backdrop in mind, President Biden announced a new Partnership for Global Infrastructure and Investment at the G7 Summit in 2022 as one of the administration's signature development initiatives. Biden pledged to mobilize US$200 billion in U.S. financing across grants, private sector investments, and other project funding over the next five years (White House, 2022). As of May 2023, the initiative had mobilized US$30 billion via grants, federal financing and leveraging private sector funds (White House, 2022b). The partnership's focus areas are consistent with the administration's stated priorities more broadly: promoting investments in clean energy and responsible extractives in a climate-friendly way; applying a gender-sensitive lens to priority infrastructure in areas such as water and sanitation with outsized benefits to women and girls; ensuring global health security with investments in infrastructure for vaccines production, disease surveillance, and early warning; and safeguarding open digital societies through investments in 5G and 6G connectivity with interoperable, secure, and reliable networks (ibid).

A second Biden initiative, Prosper Africa, builds upon an earlier effort by his predecessor, Donald Trump, to bolster two-way trade and investment between Africa and the United States. The April 2023 reboot of the interagency initiative incorporates 17 participating agencies, deal teams at the mission level, the NSC, and a secretariat to bring USG support to bear in identifying and closing promising trade and investment deals. Consistent with the Biden national security strategy and Partnership for Global Infrastructure and Investment themes, ProsperAfrica will focus on several focus sectors: energy and climate solutions, global health, and digital technology (Saldinger, 2021). Critics argue that the initiative is more sizzle than substance: putting a bow on something the U.S. is already doing with no new money.

USAID Administrator Samantha Power's signature initiative has been localization—putting local actors in the lead, strengthening local systems, and responding to local communities (n.d.). One of the more contentious elements of this agenda is Power's stated goals to channel (i) 25 percent of USAID's funding to local organizations over the next four years and (ii) 50 percent of funding towards projects that put local communities in the lead (either alone or in partnership with a U.S. organization).

There is broad acceptance across the U.S. assistance community that supporting locally-led development is the right thing to do in theory. In practice, this agenda is politically fraught. Some resistance is the result of path dependence. USAID heavily relies on U.S. civil society and private sector contractors to implement most projects. This dynamic is discussed at length in Chapter 2 of this research volume. Congressionally mandated inspector generals and exhaustive procurement regulations (Federal Acquisition Regulations), intended to ensure taxpayer money is spent wisely, create perverse incentives to award large, multi-year awards to a small coterie of contractors viewed as less likely to misuse the funds.

Localization is primarily a process-driven agenda—emphasizing inclusion, equity, and respect for local voices in the design and delivery of development projects. In some ways, it is an extension of the principles of country ownership that were important to past initiatives like MCC and the Journey to Self-Reliance. The critical difference is that there is less clarity on localization to what end(s) and many implicit assumptions of how this agenda will improve effectiveness and results (Domash, 2022). The U.S. has another blindspot and implementation challenge, as America's development assistance almost exclusively flows around, not through partner country governments. Over ninety percent of assistance is deployed to non-governmental actors in the U.S. or abroad. As USAID pushes localization, building effective state counterparts is an integral part of the sustainability equation, but it is unclear whether these funds will benefit local governments.

2.3.2 Revealed Priorities in the Contemporary Era

Between 2010 and 2021, the USG obligated US$37.1 Bn (constant USD 2019) per year to development assistance: roughly US$13.6 Bn more per year on average than the previous period for a total of US$445.4 Bn (constant USD 2019).[5] Preliminary estimates indicate that the U.S. will obligate US$130 Bn from 2022 to 2024.[6] There was noticeable consistency in the top country recipients of U.S. economic assistance dollars compared to the previous period. Several countries in the Middle East (Iraq, Afghanistan, Jordan, Pakistan) attracted large dollars related to the ongoing repercussions of the U.S. 'war on terror' and continued efforts to secure peace. Syria, South Sudan, Uganda, Nigeria, Kenya, and Ethiopia also came out on top.

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[5] Official published aid statistics on obligations via the U.S. Greenbook are only available through 2019. ForeignAssistance.gov does contain additional data on obligations in 2020 and 2021 from the ForeignAssistance.gov Explorer tool.

[6] At this point, FA.gov only includes appropriations (not obligations) for 2022 (US$38Bn) and the president's budget requests for 2023 (US$46 Bn) and 2024 (US$46Bn), such that these are not included in this estimate which considers obligations only.

Another commonality across these top economic assistance countries was that they tended to receive the most military aid. There was one exception: Egypt primarily received military assistance. Sub-Saharan Africa emerged as the region receiving the largest share of U.S. economic assistance for the first time, accounting for 30 percent of the entire portfolio, followed by Asia (15 percent) and the Middle East and North Africa (12 percent).

The number of USG agencies funding overseas development activities remained at 20 overall and 9 per country on average, consistent with the post-Cold War and 9/11 period. The distribution of agencies involved in each country indicated a revealed priority in Latin America and sub-Saharan Africa, along with the Philippines and Indonesia. These countries tended to have 17-18 countries operating within their borders during this time.

3. Supply Versus Demand: Development Assistance in a Crowded Marketplace

For almost the entirety of the Cold War and the post-Cold War and 9/11 period, the U.S. was the single largest bilateral supplier of financing for development. In the contemporary era, the relative dominance of the U.S. as a development finance provider began to lessen. More countries joined the OECD's club of 30+ major donors—the DAC—and collectively, this group began mobilizing a larger share of assistance. In parallel, the PRC arose as a major financier of overseas development. In an increasingly crowded marketplace, U.S. development assistance needs a clear value proposition of what it can offer to counterpart nations and why America is well-positioned to deliver.

In this section, we examine U.S. development assistance from a comparative perspective: the supply of financing America offers relative to the alternatives and the nature of the demand as evidenced by a 2023 survey of leaders from 129 low and middle-income countries on their preferred partners and development models.

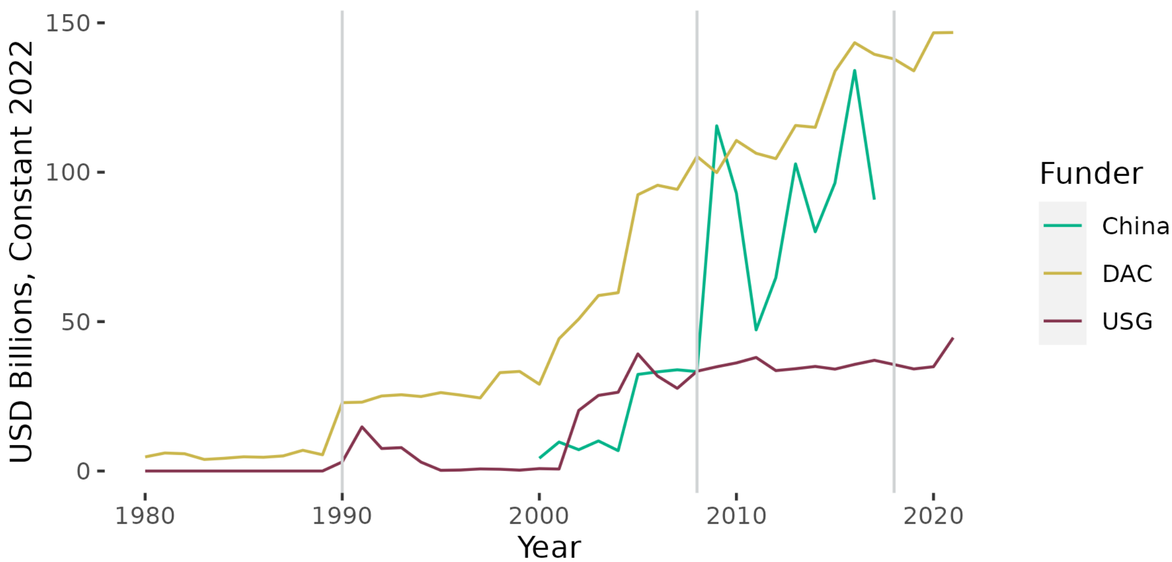
3.1 The Supply Side: How America Deploys its Assistance Compared to its Peers

Between 2002 and 2005, U.S. development assistance commitments were worth roughly 42 percent of what all other DAC member countries gave combined. Just over ten years later, this shrank to 25 percent on average between 2016 and 2020.[7] Although the U.S. gave marginally more in absolute terms in this latter period, the rest of the DAC more than doubled its giving to other countries, and America began to lag behind its peers (Figure 2). The PRC has become an increasingly important supplier of development finance following the 2008 Asian Financial Crisis, when it began outspending the U.S. 2-to-1 (Malik et al., 2021).

[7] U.S. development assistance commitments were roughly US$27.8 Bn/year on average between 2002 and 2005, compared to US$65.4 Bn/year for all other DAC countries combined. Between 2016 and 2020, the USG deployed an average of US$35.5 billion in development assistance, a slight increase from the George W. Bush era. Still, the DAC more than doubled its contributions, averaging US$140.3 billion annually.

This comparison is one of apples to dragon fruits: the PRC's assistance is mostly loans approaching market rates (88 percent), compared to the U.S., which uses more grants and no or low-interest loans (73 percent) at highly concessional rates (ibid). In recent years, the PRC has assumed a new role as a "rescue lender" in supplying balance of payment support to countries grappling with debt distress and cash liquidity problems (Horn et al., 2023).

Figure 2. U.S. Development Finance Compared to the OECD and China (1980-2021)



Sources: The U.S. and DAC data is captured from the OECD Creditor Reporting System (1980-2021). The PRC development finance for 2000-2017 uses data collected by Malik et al. (2021). Financial data for all donors includes ODA and OOFs.

America gives a lot in absolute terms, but it is not overly generous compared to other assistance suppliers—either as a share of our total federal spending or as a share of our Gross Domestic Product (GDP). Only once in the last 20 years has the USG deployed more than 1 percent of the federal budget to overseas assistance in 2005. The U.S. trails its DAC peers in the assistance it provides as a percentage of overall GDP. Moreover, American development assistance is plagued by high administrative costs: U.S. taxpayers pay nearly 1.5 times that of their peers in other DAC countries (9 versus 6 percent) in such fees.

Compared with other assistance suppliers, the U.S. has historically emphasized funding for basic health (6 percent) and education (3 percent) at higher levels than its peers. The U.S. is a world leader in funding related to reproductive health, outspending the rest of the DAC countries by nearly 3 to 1 in 2019. Comparatively, the rest of the DAC bankrolls economic development activities in sectors related to Banking and Financial services (7 percent) and Industry (3 percent) at higher levels than the U.S. Meanwhile, the PRC deploys the preponderance of its assistance to infrastructure-related sectors.

COVID-19 influenced global development assistance. The U.S. dramatically increased its spending by 28 percent overall in 2021, focusing on basic health, banking and financial services, and emergency response in 2021. The U.S. not only rose to the challenge of COVID-19 in absolute terms, but it also stood out in relative terms. In 2021, the U.S. disbursed nine times more than the average DAC country. Nevertheless, despite the size of this response, the U.S. has struggled to dislodge the perception that it mismanaged the crisis at home and abroad (Wike et al., 2020; Ameyaw-Brobbey, 2021).

Russia's invasion of Ukraine in early 2022 also upended the development landscape. European nations extended temporary protection to over 5 million Ukrainians and committed billions of dollars in aid (UNHCR, n.d.; Kiel, n.d.). The U.S. stepped up, providing Ukraine nearly US$9.7 Bn in economic aid. However, with only partial data available at this point, it is an open question whether this is new and additional assistance versus displacing aid that would have gone to other regions.

The U.S. would not be alone in this: the UK, Sweden, and the Netherlands have all siphoned funding for in-country refugee support costs from their overall aid budgets, raising concerns about the availability of resources to other development priorities (Harcourt & Price, 2022). Beyond Europe, Russia's invasion has disrupted global agricultural markets farther afield (FAO, 2022). In 2021, America mobilized US$1.1 billion in Development Food Assistance, eclipsing the US$764 million mobilized by the rest of the DAC.

America's assistance efforts are also increasingly oriented towards responding to crises rather than advancing long-term growth, peace, and prosperity. In 2010, humanitarian assistance accounted for less than one-fifth (17 percent) of USG dollars spent on non-military assistance. By 2021, this had grown to one-third (33 percent).[8] Not strictly a COVID phenomenon, humanitarian assistance accounted for roughly a quarter or more of the non-military assistance budget as early as 2017. USAID is the lead humanitarian assistance agency, managing 60 percent of funding in this area, followed by State and Defense.[9] The degree to which the U.S. integrates its efforts across humanitarian relief, peacebuilding, and long-term development assistance is offered a more fulsome treatment in Chapter 3 of this research volume.

3.2 The Demand Side: How Leaders in the Global South Assess America's Model and Offer

Leaders in low- and middle-income countries are abundantly clear about the problems they most want to solve: more jobs, better schools, and stronger institutions (Custer et al., 2021). This message has been consistent, even amid a global pandemic. Of course, the devil is in the details unique to each country: how do leaders view the path to delivering these public goods for their societies, do their citizens agree, and how do they determine whom they want to work with and to what end? U.S. policymakers must be self-aware of what our partners think we do best and in what situations they would prefer to work with alternative suppliers.

Between July 2022 and April 2023, AidData fielded an online survey of 1,650 Global South leaders to understand their perceptions of the United States as a global power and a development partner compared with five other bilateral actors: China, France, Russia, the United Kingdom, and a relevant regional

[8] These estimates in this section are based upon the author's analysis of U.S. economic assistance obligations from 2010 to 2021, comparing the subset of assistance categorized as "humanitarian assistance" versus other economic assistance as reported via FA.gov.

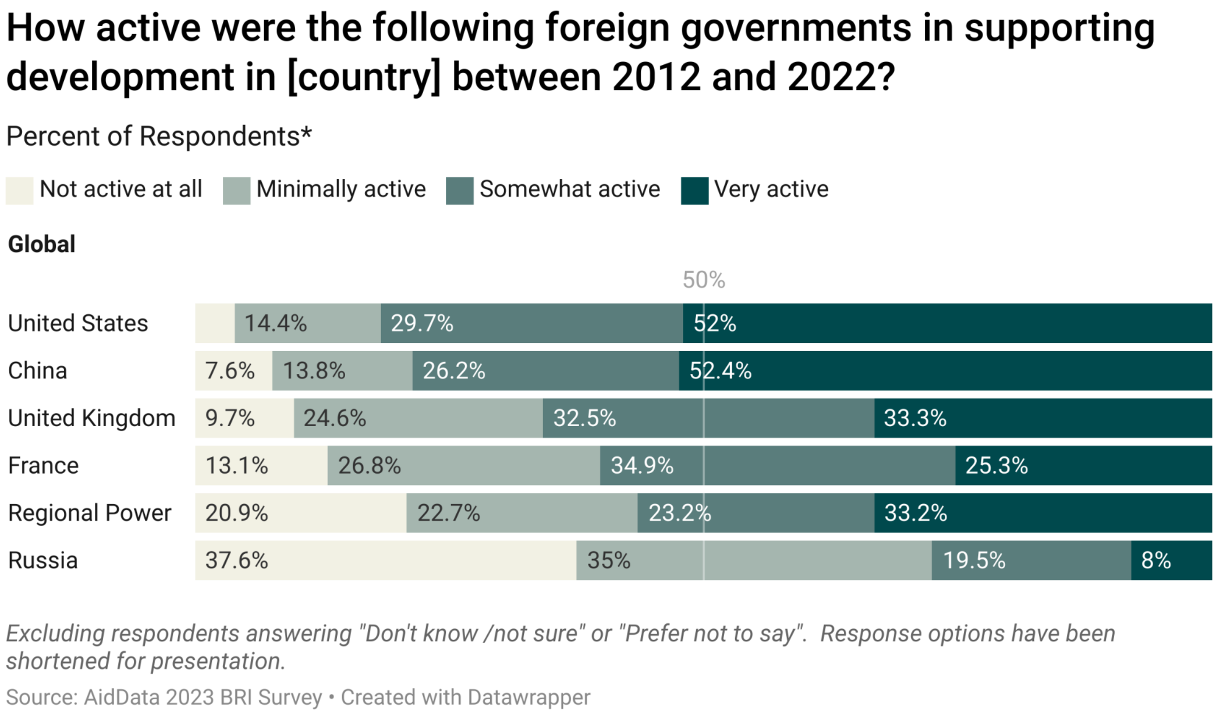
[9] This analysis examines the field "managing agency" as reported to FA.gov. Sometimes, the managing agency is the same as the funding agency. Other times, these are two different entities.

power that varied by geography (Horigoshi et al., forthcoming). Leaders from 129 low- and middle-income countries shared their views, including mid- to senior government officials, parliamentarians, civil society, and private sector representatives. The survey responses are a departure point for thinking about areas of comparative advantage for the U.S. as it looks to focus and strengthen its development assistance efforts in the future.

The U.S. sees itself as a development assistance player with a global reach, and leaders from 129 countries largely agreed (Figure 3). Four-fifths of leaders surveyed (81.7 percent) said the U.S. was somewhat or highly active in supporting overseas development in their country (Horigoshi et al., forthcoming). Leaders strongly associated America with providing technical assistance, policy advice (Figure 4), and financial assistance (ibid). Nevertheless, the pressure to maintain such breadth in its engagements has meant that the U.S. has left the door open to fall behind its peers in some geographies and surprising ways.

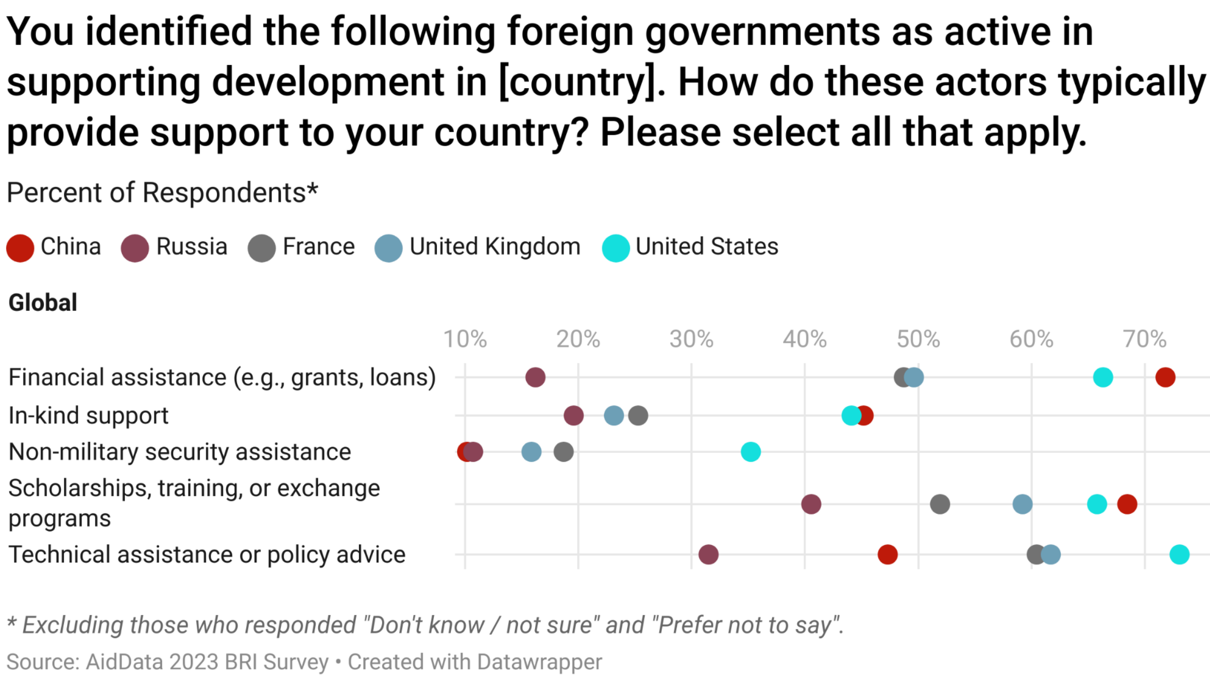
Sub-Saharan Africa has been an emphasis in U.S. development assistance priorities and financing over the last two decades. However, the PRC, not the U.S., is seen as more active in supporting development (Horigoshi et al., forthcoming). America's third-place finish in both South Asia (behind India and the UK) and East Asia and Pacific (behind Japan and the PRC) is a bit of a letdown given the emphasis on the Indo-Pacific region across the last three administrations (ibid). The gap in these two regions appeared primarily driven by the perception that the U.S. was much less active in supplying financial assistance than the PRC (by a 20 to 25 percentage point margin) (ibid).

Figure 3. Global South Leaders Perceptions of the Degree to Which Foreign Governments Supported Development in Their Country Between 2012 and 2022



Source: Horigoshi et al. (forthcoming).

Figure 4. Global South Leaders' Perceptions on How Foreign Governments Supported Development in Their Country



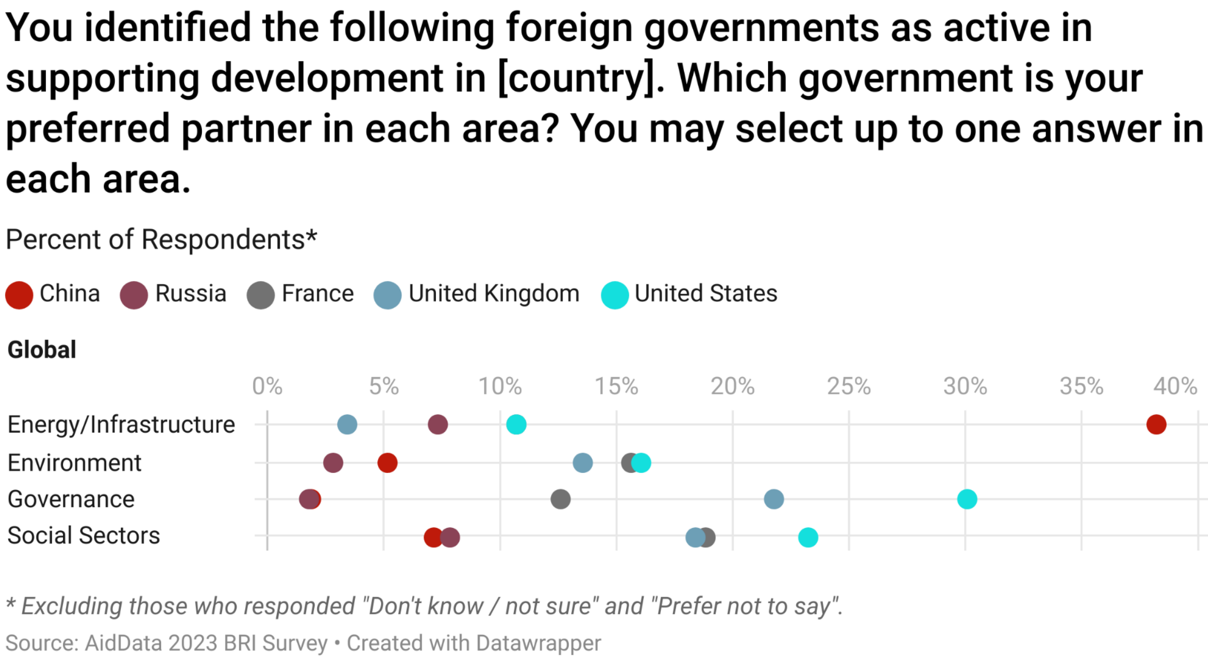
Source: Horigoshi et al. (forthcoming).

When Global South leaders think about their preferred partners by sector (Figure 5), they express an affinity to work with the United States as their top choice in the governance and social sectors (Horigoshi et al., forthcoming). The perceived U.S. comparative advantage is particularly strong in governance and rule of law across most regions, with the only outlier being South Asia (ibid). The U.S. was also consistently among the top choices in the social sector, along with other DAC donors like France and the UK. However, this lead was less pronounced and more volatile by region (ibid).

Equally striking is what leaders in the Global South say they do not want to work with the U.S. on: energy and infrastructure (Horigoshi et al., forthcoming). Instead, respondents sent a resounding signal that the PRC was their preferred partner for infrastructure at a large margin and consistently across all regions (ibid). U.S. political leaders should consider this feedback and rethink their compunction to compete with the PRC's Belt and Road Initiative. Instead, the U.S. may get farther by doubling down in areas where counterpart nations see

America as having a comparative advantage versus the alternatives: governance and the rule of law, and the social sectors (e.g., education, health) (ibid).

Figure 5. Global South Leaders on Their Preferred Development Partner by Sector



Source: Horigoshi et al. (forthcoming).

Finally, leaders also had the opportunity to reflect on what they saw as the best development model they thought their country should aspire to (Figure 6). One-third of respondents said their country should follow its own development path rather than another power. Nevertheless, when leaders looked farther afield for inspiration, they often turned to Beijing (15.8 percent) over Washington (12.3 percent) as the development model that held the greatest promise for their country. Comparatively, the U.S. model performed best in the eyes of leaders closer to home in Latin America and the Caribbean, as well as regions where America previously had a large historical presence in the Cold War (e.g., Europe and Central Asia) and post-9/11 (e.g., Middle East and North Africa) eras, though less so today.

It is particularly noteworthy that this preference for the PRC's model held across respondents from both democratic and autocratic countries. If democratic leaders are equally enthralled with the PRC's model as their authoritarian peers, it most likely is based on the economic growth appeal instead of a statement of political or ideological preferences. Again, in a sobering finding, given the U.S. emphasis on the Indo-Pacific over the last decade, America's development model does not appear to win over many elites in South Asia (2.2 percent) or East Asia and the Pacific (3.9 percent). The U.S. performs somewhat better on this measure in Sub-Saharan Africa (15.2 percent). However, it is still seven percentage points behind the PRC, the preferred model for nearly one-quarter of regional leaders.

Figure 6. Global South Leaders on The Best Development Model for Their Country

In your opinion, which of the following countries, if any, would be the best model for the future development of [country]? Please select only one option.

Percent of respondents

0 100

q07	Global	Autocracy	Democracy	EAP	ECA	LAC	MENA	SA	SSA
Our own	36.8%	34.3%	38.8%	34.2%	20.5%	45%	32.2%	54.4%	33.8%
China	15.8%	18.9%	13.5%	11.1%	0%	9.1%	13.5%	17.5%	22.4%
United states	12.3%	13.6%	10.9%	3.9%	29%	12.8%	15.7%	2.2%	15.2%
None	11.2%	12.6%	10.8%	12.8%	10.6%	8.8%	17%	13.5%	9.9%
Regional power	6.1%	6.1%	4.7%	20.6%	18.7%	1.5%	2.9%	3.7%	1.4%
Don't know / not sure	5.4%	3.7%	6.3%	5.1%	8.9%	10.5%	3.7%	3.2%	3.9%
United kingdom	5.1%	4.7%	6%	6.1%	1.1%	2.5%	7%	1.2%	6.5%
Prefer not to say	3.9%	4.7%	2.9%	5.8%	1.7%	1%	5.2%	2.6%	4.5%
France	3%	0.9%	5.6%	0.4%	9.6%	8.3%	3%	1.8%	1.5%
Russia	0.5%	0.5%	0.5%	0%	0%	0.7%	0%	0%	0.8%

Response options have been shortened for presentation.
Regional abbreviations
***EAP**: East Asia & Pacific*
***ECA**: Europe & Central Asia*
***LAC**: Latin America & Caribbean*
***MENA**: Middle East & North Africa*
***SA**: South Asia*
***SSA**: Sub-Saharan Africa*

Source: AidData 2023 BRI Survey • Created with Datawrapper

Source: Horigoshi et al. (forthcoming).

4. Development Assistance Today: Learning from the Past, Looking to the Future

In this final section, we reflect on six lessons emerging from this retrospective assessment to carry forward into conversations about how to strengthen U.S. assistance in the future. In surfacing these lessons, we draw insights from the quantitative analysis of historical financing and the global perceptions survey, the desk research examining strategic priorities and operational practices from the Cold War to the present day, and the interviews conducted with policymakers and practitioners.

Lesson 1: Pivot From Strategic Ambiguity to Strategic Candor

The national security strategy signals the president's vision of America's global role, its top priorities, the instruments of national power it will use and how, and guidance for where the interagency will focus its resources (Pavel & Ward, 2019). However, the degree to which the national security strategy provides helpful standalone guidance for development assistance is unclear. Some administrations made grand statements short on specifics, elevating development alongside defense and diplomacy. Others provided a laundry list of priorities absent a clear hierarchy. High-level interagency processes have, at times, provided greater detail and focused attention to the connections between development assistance, foreign policy, and national security. Still, these processes failed to stick or move beyond paper into operational practice.

Development assistance is not pure altruism, but neither is it pure self-interest. Candor about what America wants to achieve and why can create flow-down benefits at an operational level. It allows for specialization across agencies, programs, and funds in that every activity need not do everything. Still, political leaders must see at a portfolio level that development assistance serves the breadth of America's interests without subsuming one under the others. Second, it informs how the interagency, the White House, and Congress think about what success looks like, how to evaluate progress and make course corrections, ways to align incentives to reward outcomes, not inputs, and transparently report on results to demonstrate how development assistance delivers for America's national interests. Third, it can elevate interagency dialogue and learning around how development assistance tools should work to support inclusive economic growth, peaceful democratic societies, and global public goods.

Lesson 2: Move From Operational Incoherence to Operational Complementarity

There has been a proliferation of agencies involved in development assistance. Many of these agencies have overlapping mandates, unclear jurisdictions, parallel structures, and separate funding accounts, leading to duplication of effort. Distrust in USAID prompted congressional and political leaders to form new agencies or vehicles as a workaround to advance their preferred development assistance priorities. Well-meaning attempts to foster coordination or improve accountability had the unintended effect of adding extra layers of bureaucracy rather than creating clarity.

Not all of these development assistance players are equal in their relative financial resources and political visibility. USAID, the Department of Agriculture (the primary provider of food assistance), State, and Treasury (responsible for multilateral contributions) are the big four players in development assistance dollars.[10] Defense and MCC have outsized visibility: they have vocal

[10] USAID's share of the development assistance pie declined from 56 percent in the Cold War to 38 percent in the contemporary period. USDA accounted for 18 percent of development assistance outlays in the Cold War, declining to 6 percent in the contemporary period. Treasury was responsible for 11 percent of development assistance in the Cold War, declining to 7 percent in the contemporary era. Of these four, State was the big winner in capturing a growing share of development assistance dollars: from 1 percent of development assistance outlays in the Cold War to equal shares with USAID in the contemporary period (38 percent). These and other estimates are based upon the authors' analysis of U.S. economic assistance obligations as categorized within the U.S. Greenbook (2019) and supplemented by FA.gov for later years. The time periods assessed include: the Cold War (1946-1991), post-Cold War and 9/11 (1992-2009), and the contemporary period (2010-present) using data through the latest available year.

constituencies and strong bipartisan support but modest shares of the development assistance pie.[11]

Foreign assistance agencies exacerbate operational incoherence through active competition and lack of coordination. The underlying tension is partly political, as agencies jockey for position over limited resources and resist a loss of prestige or clout from a smaller mandate, and partly cultural in differing views on the ends, ways, and means of conducting development assistance programs.

Operational incoherence is more than an annoyance; it is a handicap to advancing U.S. national interests. With a development assistance budget of less than one percent of our federal spending, America must get the most from every dollar spent. The status quo disregards frustrating resource inefficiencies, the rise of parallel bureaucracies, and activities that work at cross-purposes. It is more complicated than it needs to be for others to partner with the United States. Rather than one interlocutor in a sector or country, bilateral and multilateral donors are confused by the bewildering array of interagency representatives they must deal with, and that may not speak with voice.

Lesson 3: Shift Accountability from Process to Outcomes

Insiders within U.S. foreign assistance agencies and the outsiders who work with them share a common discontent with runaway procurement and reporting requirements. Holding agencies accountable for the responsible use of taxpayer money is a reasonable objective—the problem is that the systems to procure, manage, monitor, and report on agency activities have become unreasonable, spawning perverse incentives and unintended consequences. Some of these requirements are congressionally imposed, others stem from presidential initiatives, but many are self-inflicted by the agencies.

[11] Defense had its largest share of the development assistance budget (6 percent) in the post-Cold and 9/11 era, tied to reconstruction and stabilization operations in Iraq and Afghanistan. In the contemporary period, this dropped to 2 percent. MCC has consistently attracted approximately 2 percent of U.S. development assistance funds since its inception in the early 2000s.

Agency personnel are overwhelmed and frustrated by the tendency for congressional and executive branch leaders to add new layers of oversight and clearance without a commensurate willingness to evaluate whether the existing ones are essential. This attitude is one part time-saving mechanism and one part risk intolerance as personnel seek to avoid congressional scrutiny or public backlash that could arise in a case of waste, fraud, or abuse. An auditor's mindset takes hold, focusing on tracking individual dollars spent rather than managing for results or innovating and learning rapidly from failure in the pursuit of greater impact. Intentional or not, this audit-driven culture rewards compliance and consistency to continuously fund the safe bets (highly familiar activities and implementers) rather than asking uncomfortable questions about whether these things generate the outcomes the U.S. or its partner nations want.

New technologies and artificial intelligence (AI) create opportunities to reduce the manual processing of large volumes of data and information or alleviate reporting burdens. Geospatial and remote sensed data have made it cheaper, easier, and faster than ever to conduct impact evaluations or support service delivery. However, agencies are frequently perplexed and slow to harness these game changers for effective design and delivery of development assistance.[12] Moreover, the U.S. is not well-positioned to work with counterpart nations in assessing ways to mitigate the risks and maximize the benefits of these tools in supporting public administration and economic growth in their countries.

Lesson 4: Don't Allow Short-Termism to Undercut Long-Term Interests

USAID is vulnerable to seeing its long-term development mission displaced by the short-term imperatives of crises, conflicts, and disasters. Resources have a way of dictating priorities, and notably, over the last few years, more than one-quarter of funds managed by USAID have been focused on humanitarian assistance.[13] Is the growing short-term orientation of U.S. development

[12] A noteworthy exception is one agency report that they had developed their own AI algorithm to make it easier for their team to identify and comply with innumerable congressional earmarks and directives in the foreign operations appropriations bills.

[13] This also considers incomplete information available on FA.gov for more recent years, such as partially reported obligations for FY2022 and FY2023, and the FY2024 President's Budget Request.

assistance cause for concern and reform? If framed in security interests (i.e., protecting Americans from the spread of instability and disease), perhaps not, because humanitarian assistance allows the U.S. to respond quickly and decisively to mitigate the risk that a crisis or conflict worsens and spreads to other countries. However, if we're concerned about other diplomatic, economic, or development interests, there is a greater risk of a mismatch if humanitarian assistance displaces attention and resources from longer-term efforts to promote growth, peace, and prosperity.

Another crucial calculation for USAID is that crisis and conflict situations are risky—money needs to be disbursed quickly, in dynamic environments, and with uncertain results. There is greater potential for things to go wrong with humanitarian assistance, which could make it difficult for USAID to overcome a persistent trust deficit with Congress. Of course, parceling out humanitarian versus long-term development assistance could exacerbate existing silos between these activities, making it challenging to ensure coherence and continuity in helping countries move from short-term crisis to long-term stability.

Lesson 5: Reposition U.S. Assistance to Be Responsive to Market Demand

There is often a mismatch between what the U.S. can offer and what its partners want. America's development assistance apparatus revolves around sectors, procurements, projects, and log frames. Congress appropriates money in annual chunks specifying how it should be spent via earmarks and directives, agencies parcel it out via grants and contracts, and implementing contractors deliver projects within a discrete time period and in line with predetermined targets. This reality makes it challenging for agencies to be agile and responsive to working with counterpart nations.

Most U.S. development assistance dollars are channeled via non-governmental organizations and other implementers, many based in the United States, rather than counterpart governments. Corruption and financial mismanagement in host governments are legitimate concerns and ones that Global South leaders share, according to surveys of public, private, and civil society elites (Custer et al., 2022). However, this status quo provides no clear exit strategy that allows for a sustainable transition of financing and oversight of programs to counterparts.

Another self-imposed constraint is the color of the money: U.S. development assistance has historically relied heavily on grants rather than loans (at any level of interest rate) and other financial products (e.g., loan guarantees), which artificially limits the volume of capital which America can deploy to advance shared interests with its partners. The U.S. DFC is beginning to pick up steam with its lending and risk insurance, shifting the share of non-concessional lending in the U.S. development assistance portfolio from 4 percent to 36 percent in 2021. The U.S. could also consider how to responsibly expand concessional lending (at no- or low-interest rates) alongside grants.

Lesson 6: Words and Deeds Must Go Hand-in-Hand to Overcome a Credibility Deficit

Amid intensifying great power competition rhetoric, leaders in the Global South want to avoid being pulled into a geostrategic tug-of-war between Washington and Beijing or Moscow. They view the U.S. as pressuring them to choose sides and having an "anti-China" or "anti-Russia" strategy rather than a compelling articulation of what the U.S. can contribute as part of a "pro-development" strategy.

America faces several challenges in overcoming this credibility deficit. The first is what the U.S. says. Political leaders fixate on announcing big promises ('deliverables'): new financial commitments made, projects launched, and partnerships formed. They are less consistent in reporting back on the results: the projects completed, the value generated, and the lives changed. Focusing on individual projects over integrated strategies makes it challenging for foreign leaders and publics to quickly grasp how these disparate activities add up to a more sizable contribution that benefits their societies.

The second communication challenge is what we do: actions speak louder than words. Earmarks and directives constrain over 90 percent of U.S. development assistance.[14] It can be challenging for agencies to respond proactively to counterpart nations' priorities, ideas, and goals within the remaining 10 percent or less of funds available. By default, the U.S. is seen as dictating what to fund, where, and how to deliver it rather than design.

The third communication challenge is amplifying these words and visuals for maximum impact. Following decades of relative neglect, this means bringing America's best and brightest to the table in crucial international venues, from the United Nations to the World Bank and the OECD, to mobilize strong coalitions supporting shared outcomes.

Agencies operate independently in how they communicate about their work—a lot or a little, effectively or not, all with their messaging and branding. Multiple presidents tried and failed to move the interagency toward a unified brand (Runde, 2020). Self-censorship, reasonable or not, can also get in the way as some agencies interpret the Federal Assistance Act and other legislation as sometimes precluding them from advertising their work under certain circumstances.

[14] Earmarks refer "to congressionally-directed spending, tax benefit or tariff benefit that benefits a specific entity or state, locality or congressional district other than through a statutory or administrative formula or competitive award process." Directives include language that signals preferences for how to spend money but without the same direct benefit derived from earmarks. Directives can be 'hard' or 'soft,' with the former using stronger language that infers that the recipient shall do something versus the latter using weaker language that the recipient should do something (Casella et al., 2021).

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Background Research - Chapter 2

Gates Forum II

Catalytic Partnerships: Opportunities and Challenges in Mobilizing U.S. Private Sector Resources to Scale America's Contribution to Development Overseas

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Executive Summary

The private sector is one of America's most underutilized assets to support sustainable economic growth and development in the Global South. In this paper, we examine how the private sector expands the total resource pool available to support economic growth and development worldwide, as well as the tools the U.S. government has used to engage these actors over the last 20 years. We surface five lessons learned to highlight the most persistent challenges to effective private sector engagement.

Be More Specific About Which Private Sector Actors to Engage Where, How, and Why. The USG should be more strategic in pursuing focused partnerships with disparate private sector actors in areas of their revealed interest: private foundations (fragile states, vertical funds, public health, environment), private voluntary organizations (humanitarian relief, peacebuilding, and conflict settings), and private companies (agriculture, power generation, telecommunications, healthcare, infrastructure, extractives).

Get More From Private Sector Partnerships with Better Data, Learning, and Success Metrics. The USG lacks reliable data on the value generated by private-sector partnerships across the interagency regarding leverage and additionality. Traditional tools to monitor and evaluate development assistance projects are also unsuitable for assessing the impact and effectiveness of non-traditional approaches such as blended finance and public-private partnerships.

Strategically Exploit Aid, Trade, and Investment as Force Multipliers for Global Development. There is minimal overlap between countries that receive American aid versus those that attract trade and investment. With additional resources and a clear mandate, trade capacity-building programs, regional investment hubs, and embassy deal teams, among other tools, could be the bridge builders in helping the USG synchronize its aid, trade, and investment for greater effect.

Reduce Byzantine Regulations and Duplicative Mechanisms that Deter Partnership. Procurement and reporting regimes such as the Federal Acquisition Regulations and the Section 653(a) budget process deter many would-be partners from engaging with the USG's development agenda. A related concern was ensuring that the proliferation of new private sector engagement mechanisms across the interagency did not create confusion and frustration for would-be partners.

Reconcile How Localization, Risk Tolerance, and Private Sector Engagement Work Together. USAID's localization commitments raise questions, from implementers concerned about lost access to valuable development assistance dollars to existing and prospective partners who interpret "localization" as synonymous with "increased risk" that threatens profitability. Agency leaders need to articulate how localization and private sector engagement are not at cross-purposes and can be mutually reinforcing. USG agencies and the private sector must learn to appreciate how each understands risk: public entities focus on transparency, procurement compliance, and project delivery, while the price sector looks at a spectrum of risk that could impact their commercial or financial position

Acronyms

AGOA	Africa Growth Opportunity Act
BUILD	Better Utilization of Investments Leading to Development (BUILD) Act
Defense	U.S. Department of Defense
DFC	U.S. Development Finance Corporation
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
Gates	Bill and Melinda Gates Foundation
MCC	Millennium Challenge Corporation
NGO	Non-governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OPIC	Overseas Private Investment Corporation
PPP	Public-Private Partnership
PRC	People's Republic of China
PVO	Private Voluntary Organization
State	U.S. Department of State
Treasury	U.S. Department of Treasury
U.S.	United States
USAID	U.S. Agency for International Development

USG	United States Government

This paper aims to answer three critical questions:

- How do private sector companies and philanthropies broaden America's contribution to supporting development in low- and middle-income countries?
- What lessons can be learned from past U.S. government attempts to engage American private sector finance and expertise to amplify U.S. development assistance abroad?
- How might USG and private sector actors work more synergistically to scale the reach and impact of development assistance?

1. Introduction

U.S. state-directed development assistance is a drop in the bucket compared to the American economy, representing just 0.22 percent of the U.S. gross national income in 2022 (OECD, 2023b). One of America's greatest assets and enduring attractions in the eyes of other countries is the vibrancy of its private sector—from companies and philanthropies to universities and non-governmental organizations. At home, these actors spur job creation and scientific innovation, build thriving communities, and improve lives and livelihoods. Abroad, the U.S. private sector can mobilize resources, implement projects, deliver services, and generate economic value to benefit the U.S. and counterpart nations.

The catalytic potential of crowding in private sector support for development is not lost on the U.S. government (USG). Some agencies cultivate private sector partnerships and launch sector- or region-specific initiatives to crowd in private capital and expertise. Others focus on reducing barriers to entry for U.S. private companies to export goods and invest in emerging markets. Deal teams within U.S. embassies pool interagency resources to help American companies win business abroad in ways that advance multiple national interests.

In this paper, we examine how the private sector expands the total resource pool of development flowing from the U.S. to the developing world and how this complements and supports American priorities. We assess the specific tools the USG has enlisted to engage the private sector across government-funded development assistance, using both the lens of regulatory authority and revealed priorities. We conclude with a discussion of outstanding issues for policymakers to consider as the U.S. looks to develop future private-sector engagements.

Note on Terminology:

In this paper, we examine how U.S. private sector actors alone or in conjunction with the U.S. government employ grants, loans, and other debt instruments, along with in-kind and technical assistance, to support development in other countries. This includes grants and no- or low-interest loans, typically referred to as 'aid,' and loans and other debt instruments approaching market rates referred to as 'debt'). We include humanitarian and long-term development assistance. For ease of reading, we have chosen to simplify our terminology and use the generic terms "development assistance" and "aid" as catchalls for these various and diverse instruments. However, in instances where the particular modality matters (i.e., grants versus loans), we use the more specific terms to avoid confusion.

This paper adopts a broad definition of "private sector actor." While conventionally focused on businesses, investment institutions, and other profit-generating enterprises, this paper also considers philanthropic organizations, private voluntary organizations, for-profit firms implementing USG programs, and investment promotion entities such as chambers of commerce.

2. Key Actors and Complementarities: How Do U.S. Private Companies and Philanthropies Broaden U.S. Development Assistance in Other Countries?

The economic impact of the United States in the developing world is, at least partly, a story of the private sector. Private flows account for 90 percent of U.S. dollars reaching the poorest countries (Adelman et al., 2017). The largest U.S. philanthropies now give at the same volume as some governments and demonstrate to the world the generosity of the American people. Foreign Direct Investment (FDI) matches U.S. investors' capital to business owners' needs, enables local innovation and entrepreneurship, and offers a sustainable funding source for countries to develop their economies.

The USG has a long history of turning to private entities to implement its aid programs (Norris, 2014). In 2022, 35 percent of the total USG aid portfolio was implemented by private partners, including faith-based organizations, enterprises, NGOs, networks, public-private partnerships (PPPs), and universities (ForeignAssistance.gov). This section examines three clusters of U.S. private engagement with developing countries: private philanthropies and the direct grants they fund; U.S. nonprofits and for-profit companies that directly implement USG-funded activities; and flows of FDI, trade, and commercial finance (Table 1).

Table 1. Illustrative Typology of the Diverse Ways the Private Sector Supports Development

Role(s) of the Private Sector	Description
Direct Resource-Provider for Projects or Programs within Developing Countries	
Philanthropic giving	Provision of funding with no expectation of repayment but intended to support projects, programs, and organizations for a bounded period
Concessional financing	Provision of cash or credit with the expectation of repayment with no or low-cost financing
In-kind donations	Provision of goods, services, supplies, software, equipment, or facilities at no or defrayed cost
Technical assistance	Provision of specialized expertise (e.g., professional advice or support)
Data and analytics	Provision of valuable data or analytics to support service delivery for organizations or governments
Convening power and networks	Facilitating the formation and maintenance of partnerships, collaborations, or dialogues
Knowledge and information sharing	Facilitating the sharing or transfer of skills and insights relevant to development projects and policies
Direct Implementer of Projects and Programs within Developing Countries	
Distribution/production of essential goods	Delivering free or low-cost access to food, household supplies, or other goods targeting poor or marginalized communities
Direct service delivery	Delivering free or low-cost access to critical public services (e.g., health, education, sanitation) targeting poor or marginalized communities
Training and capacity building	Helping individuals and communities cultivate skills, knowledge, and capacity via education or vocational training at free or low-cost rates
Research and evidence generation	Producing knowledge and insights that support policymakers and practitioners
Advocacy and standard-setting	Awareness raising, lobbying, and negotiating for improved conditions
Indirect Economic Engine of Growth within Developing Countries	
Foreign direct investment	Creating access to capital to pursue profitable ventures with local companies
Local job creation	Generating new employment opportunities for local communities
Local revenue generation	Generating tax, trade, or tourism revenues that benefit the local economy
Norm setting	Contributing to policies and practices that create an enabling environment for private-sector investment

Notes: Adapted from OECD (2016) and Vaes and Huyse (2015).

2.1 U.S. Private Philanthropies as Direct Resource-Providers for Development

In the years before the First World War, two private philanthropies—the Carnegie Endowment and the Rockefeller Foundation—promoted transatlantic peace and public health abroad, as well as advanced America's interests in promoting international rule of law (Rietzler, 2011). The rise of a new set of players in the 1990s and early 2000s would be even more consequential. Eleven of 23 American grant-making philanthropies that report donations to the Organization for Economic Cooperation and Development (OECD)were founded between 1990 and 2006 (Table 2).

Table 2. American Philanthropies Reporting to OECD's Development Assistance Committee

Philanthropy Name	Year Founded	Giving Reported (2000-21), in millions	Most Recent Reporting Year (in millions)	Geographic Focus	Focus Sectors	Known Partnership with USG (Y/N)
Bill & Melinda Gates Foundation	2000	$46,806.80	$4,635.30	Global	Health, Education, Equality	Y
Mastercard Foundation*	2006	$3,211.68	$1,288.34	Africa	Youth Employment, Education, ICT	Y
Michael & Susan Dell Foundation	1999	$1,926.69	$47.29	India, South Africa	Education, Health, Family Economic Stability	Y
Bloomberg Family Foundation	2006	$1,134.15	$297.33	Global	Health, Education	Y
Open Society Foundations	1993	$1,493.25	$380.96	Global	Environment, Equity, Journalism, Rule of Law	Y
Susan T. Buffett Foundation	1964	$1,406.60	$355.11	Global	Population, Reproductive Health	N
Ford Foundation	1936	$1,342.35	$306.19	Global	Civil Society, Equity, Environment	Y

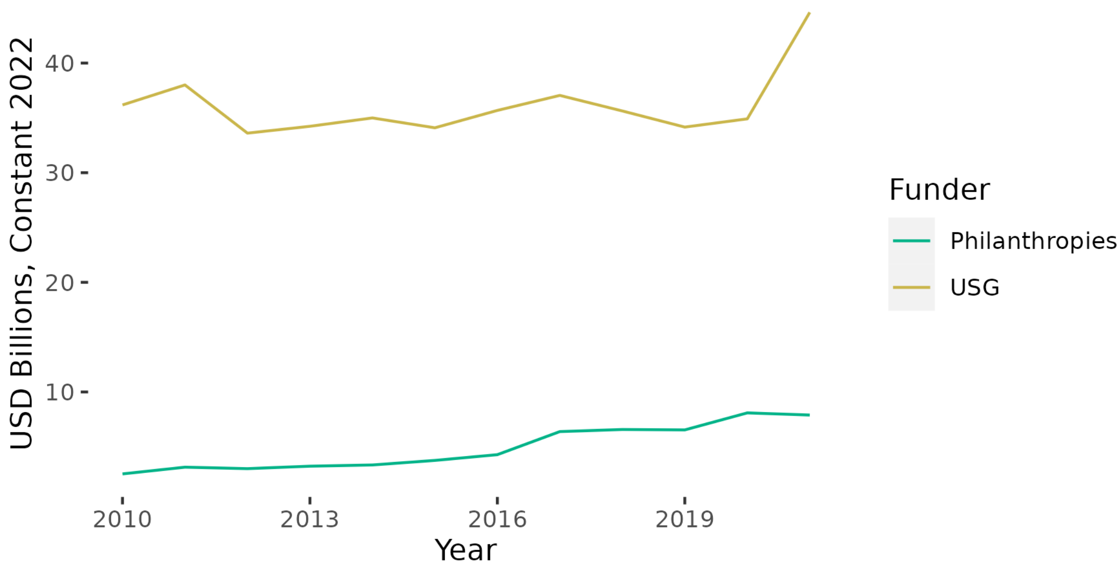
David & Lucile Packard Foundation	1964	$797.56	$218.20	Global	Environment, Health, Reproductive Rights, Education, Agriculture	Y
William & Flora Hewlett Foundation	1966	$778.15	$179.41	Global, w/ emphasis on Africa	Education, Environment, Equity, Governance, Economy and Society	Y
Bezos Earth Fund	2020	$676.48	$354.16	Global	Environment, Food	Y
Rockefeller Foundation	1913	$641.50	$305.24	Africa/Asia	Food, Health, Environment, Energy, Equity, Economic Recovery	Y
Conrad N. Hilton Foundation	1944	$587.68	$148.08	Global	Youth, Early Childhood Development, Refugees, WASH	Y
John D. & Catherine T. MacArthur Foundation	1978	$565.72	$130.78	Africa/Asia	Corruption, Environment, Criminal Justice, Journalism and Media	Y
Howard G. Buffett Foundation	1999	$561.99	$105.19	Africa/Asia	Food Security, Conflict, Public Safety	Y
Gordon and Betty Moore Foundation	2000	$419.12	$106.19	Global	Environment, Health	Y
Margaret A. Cargill Foundation	2006	$269.38	$47.08	Global	Environment, Culture, Disaster Relief, Quality of Life	N
Omidyar Network Fund, Inc.	2004	$228.02	$33.19	Global	Responsible Technology, Reimagining Capitalism, Cultures of Belonging	Y
Citi Foundation	1998	$145.54	$20.98	Global	Economic Opportunity, Financial Inclusion	Y
Arcus Foundation	2000	$131.99	$20.50	Global	Environment, Human Rights	N

MetLife Foundation	1976	$122.53	$1.54	Global	Economic Inclusion, Financial Health, Resilient Communities	N
Carnegie Corporation of New York	1911	$114.65	$15.63	Global	Education, Democracy, Security, Immigration	N
McKnight Foundation**	1953	$24.98	$4.38	Global	Culture, Food Security, Environment, Energy	N

*Notes: *Mastercard Foundation is an American company with headquarters in Toronto. **McKnight Foundation announced that it now only gives impact investments internationally via fund vehicles. Source: OECD CRS (2023a). All figures 2022 Constant USD, Millions.*

These 23 American private philanthropies have supplied at least US$58.8 billion in development assistance globally since 2010 (Figure 1). In 2021 alone, they gave US$7.9 billion, or roughly one-fifth of the value of USG disbursements the same year (OECD, 2023a). American philanthropies make an outsized contribution relative to bilateral and multilateral agencies and their peers in other countries. If we consider philanthropic organizations with sovereign nations, the Bill and Melinda Gates Foundation (Gates) would be the tenth largest donor in the world. This holds across all sectors, not just global health. The combined financial weight of American charities reporting to the OECD exceeded the next-highest Development Assistance Committee government, Canada, by US$2.9 billion. Moreover, most large private philanthropic donors came from the U.S. (OECD, 2023a).

Figure 1. U.S. Government versus Private Philanthropic Assistance Reported to the OECD Creditor Reporting System, 2010 to 2021

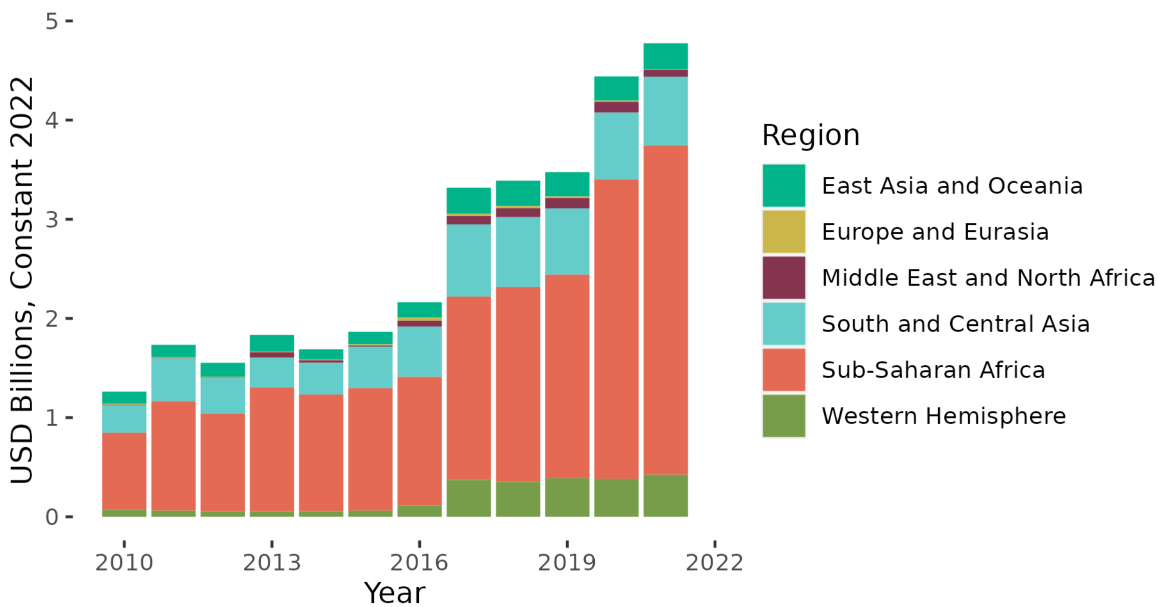


Note: The philanthropies value represents the sum of all U.S.-based philanthropic donors reported to the OECD system. Many of these donors only began reporting after 2017, likely under-reports the total philanthropic flows in earlier years. Source: OECD CRS (2023a).

Two points of geographic convergence exist in the revealed priorities of these American philanthropies and the USG: India and Africa. American private philanthropies direct a higher share of funding (46 percent) to globally focused projects but a nearly identical proportion of financing towards Sub-Saharan Africa (34 percent) as their USG counterparts. India was the single largest country recipient of U.S. philanthropic funds and among the larger recipients of USG aid (36th); however, development funding for Africa still exceeds that for the Indian subcontinent. American private philanthropy, led by the Gates Foundation, is channeling billions to meet Africa's health challenges, similar to the USG's long-standing emphasis (and financing) on global health. Global and reproductive health attracts nearly two-thirds of all philanthropic funds to developing countries (63 percent).

Foundations have devoted comparatively fewer resources to other regions since 2010, except for a recent jump in funding to the Western Hemisphere in 2021 (Figure 2). This heightened interest in the region appears to be driven by environmental concerns and comes from a smaller cadre of foundations including the Bezos Earth Fund, Howard G. Buffett Foundation, Moore Foundation, Ford Foundation, and Open Society Foundation.

Figure 2. U.S. Private Philanthropic Assistance Reported to the OECD Creditor Reporting System, By Region, 2010-2021



Note: This chart excludes private philanthropic flows reported as cross-regional or global in intent, which exceeded US$3.1 in 2021. Source: OECD CRS (2023a).

The USG still orients relatively more of its aid budget (12 percent) than private philanthropies (1 percent) to working in the most fragile countries.[2] Yet, philanthropies do not shy away from fragile states. Considering only country-focused financing, the 23 organizations collectively contributed 4 percent of their budgets to the most fragile states, compared to 18 percent for the USG. By contrast, the rest of the U.S. private sector (approximated using FDI

[2] By "fragile" we refer to countries experiencing "the erosion of a government's legitimate authority to control territory, use force, make collective decisions, provide public services, and interact with other states within the international community" (Fund for Peace, n.d.).

flows) prefers contexts that are not fragile or minimally fragile. U.S. private philanthropies might be more willing to work cooperatively with the USG in supporting development in fragile states, likely informed by their humanitarian missions to improve lives.

Special-purpose vehicles and vertical funds are an underexplored area for the USG to team up with U.S. private philanthropies to maximize the reach and influence of American development assistance efforts. The USG directs one in five aid dollars to such programs and funds managed by other international partners, often multilateral institutions. Private philanthropies' contribution is smaller; one in twenty of their aid dollars is directed via these modalities; however, these actors have outsized credibility and influence in niche areas, such as the Gates Foundation in global health or national statistics.

Another area for peer-to-peer learning and information sharing could be locally-led development, a stated priority for USAID and private foundations like the Hewlett Foundation. Private philanthropies also punch above their weight by providing US$3.0 billion in technical assistance, nearly on par with the USG at US$3.3 billion, between 2010 and 2021.

U.S. private philanthropies are also important extensions of American soft power when they engage with foreign publics and leaders. Corporate foundations and non-profit organizations bear American names and are often headed by influential American innovators. Of the 23 private philanthropies reporting to the OECD, many had some publicly disclosed experience in collaborating with USG agencies, most often episodic time-bound projects rather than long-standing formal partnerships. There are laudable exceptions.

In 2023, the Hewlett Foundation and Center for Global Development signed a Memorandum of Understanding with USAID to support the agency's Evidence Localization Initiative in Africa (USAID, 2023j). The same year, USAID and the Gates Foundation pooled their resources. They announced a new Women in the Digital Economy Fund, with pledged contributions of US$50 million and US$10 million, respectively, over the next four years (USAID, 2023f).

Nevertheless, beyond co-financing or implementing discrete projects, more often than not, development assistance funded by USG agencies operates independently from American private philanthropic contributions at a strategic and tactical level. This status quo partly reflects a healthy U.S. tradition of minimizing state interference in the private sector. Moreover, government agencies and private foundations do not always see eye-to-eye due to differing political philosophies (across party lines) and missions. However, many experts interviewed for this study argued that limited partnerships between the public and philanthropic sectors were symptomatic of differences in incentives and cultures that make deeper partnerships challenging to form and sustain.

2.2 U.S. Nonprofits and For-Profit Companies as Direct Implementers of Projects

American philanthropic power extends beyond the 23 grant-making foundations that report their international giving to the OECD to a much larger universe of U.S.-based private voluntary organizations (PVOs). Since the 1940s, American PVOs have been critical in providing overseas charitable services and humanitarian assistance (McCleary & Barro, 2006; USAID, 2016b). These organizations vary in size.

According to Forbes' 2022 list of America's top 100 private charities, the 26 largest internationally-focused organizations each mobilized between $217 million and $2.2 billion in 2021 (Barrett, 2022). The list included charities associated with former U.S. presidents (e.g., Carter Center), faith-based groups (e.g., World Vision, Catholic Relief Services, Compassion International), and well-known secular organizations (e.g., International Rescue Committee, PATH, Save the Children, Population Services International), among others.

American PVOs are not monolithic in their relationship with the USG. While some organizations are entirely self-funded via private donations, others receive direct financial or in-kind support from USAID or other agencies to implement development assistance activities funded by the USG (USAID, 2016b). Collectively, the 26 Forbes list PVOs raised US$22 billion in revenues to support international needs in 2021 alone; 78 percent ($17 billion) was in the form of private donations (Barrett, 2022).[3] Combined with the OECD-reporting

[3] Non-donation revenues can come from various sources, but 7 of the 11 PVOs for which this type of financing accounted for one-third or more of their total revenues (Barrett, 2022) were also among the largest recipients of USG

foundations that same year, this expands known private philanthropic flows to low- and middle-income countries to US$25 billion (55 percent of the value of what the USG disbursed in 2021).[4]

Although the USG directs foreign aid programs, it seldom implements activities directly, working instead procuring the services of a labyrinth of private sector actors including but not limited to PVOs via cooperative agreements, grants, and contracts (Morgenstern & Brown, 2022). These private sector actors also extend to "individual personal service contractors, consulting firms, universities, and public international organizations" (ibid).

This reliance on contracting private sector actors to implement USG-funded development projects is not new. It was a distinct feature of U.S. foreign aid from the start. As Secretary of State Dean Acheson explained President Truman's signature Point Four Program back in 1952, "[it was] never meant to be just a government program, the entire effort…is carried out through private organizations. We do not have in the Government sufficient people to staff these operations…to give us all the ideas…which are necessary" (State, 1952).

The extent of the USG's foreign aid 'contract state' has only proliferated, partly by design in tapping into specialized expertise that may not reside within government and partly by necessity, with the hollowing out of the professional core of USAID and other development agencies in the 1990s (Norris, 2014). This state of play led to the forming of a powerful and vocal constituency of American nonprofits and businesses that rely on large-dollar USG contracts to fuel international relief and development operations (Norris, 2014).

In 2021, 11 USG agencies channeled US$13.7 billion in development assistance dollars through 787 named private sector actors (i.e., U.S.-based entities or international organizations with a U.S. chapter) (ForeignAssistance.gov). Three agencies accounted for the lion's share of disbursements to the U.S. private

grants and contracts to US-based private sector actors in 2021 to implement development projects abroad (ForeignAssistance.gov, 2023).

[4] We only include the private donations portion of financing mobilized by these PVOs, since the non-donation portion is often in whole or in part funded by USG grants and contracts to implement development assistance projects.

sector: USAID (47 percent), the State Department (44 percent), and the U.S. Department of Agriculture (8 percent).

Private enterprises (48 percent) and PVOs (44 percent) were the most common recipients of these funds. U.S.-based universities also received modest funding (7 percent). Networks and PPPs each accounted for less than one percent. Not all of these actors are equal in the size of the dollars they attract: the average U.S. private sector actor managed US$12 million, but the top 20 USG funding recipients each managed between US$100-644 million (see Table 3).

Table 3. Top 20 US-Based Implementing Partners in USG Funding Received Fiscal Year 2021

US-Based Implementing Partner	Organization Type	USG Funding, 2021 (in USD2022 Millions)
Catholic Relief Services	PVO	$644.65
Chemonics International, Inc.	Business	$581.18
RMGS, Inc.	Business	$380.51
Development Alternatives, Inc.	Business	$371.23
Abt Associates, Inc.	Business	$348.09
FHI 360	PVO	$340.81
International Committee of the Red Cross	PVO	$308.16
Save the Children Federation, Inc.	PVO	$211.01
RTI International	PVO	$204.40
Columbia University	University	$173.25
Futures Group Global	Business	$169.69
ARD, Inc.	Business	$163.44
John Snow International	Business	$155.73
Elizabeth Glaser Pediatric AIDS Foundation	PVO	$150.03
Deloitte	Business	$140.01
Population Services International	PVO	$139.70
World Vision	PVO	$137.43
Consortium for Elections and Political Process Strengthening	PVO	$130.82
Pact World	PVO	$123.36
Alutiiq, LLC	Business	$111.01
Tetra Tech, Inc.	Business	$116.20
Jhpiego Corporation	Business	$114.71

Note: Disbursements via RMGS, Inc. and Alutiiq, LLC's are partially redacted in the full ForeignAssistance.gov dataset, and were calculated based on aggregates presented via the website while all other values are calculated from project-specific data records. Source: ForeignAssistance.gov.

There is, of course, a much broader swath of U.S.-based private sector entities that partner with USG agencies—having received funding in previous years or supplying their financing and in-kind support to overseas development activities. To approximate this larger universe, we cross-referenced the U.S. private sector entities that received USG funding in 2021 with the list of organizations that voluntarily joined USAID's partner directory. This yields a larger list of 1,398 PVOs, businesses, private foundations, and universities with headquarters in the United States that partner with USAID. Roughly three-quarters (77 percent) of these entities either received USG financing in 2021 (ForeignAssistance.gov) or reported that they had previously been a "prime or subprime recipient" of USAID funding (USAID, 2023).

Private sector partnerships can take other forms. American farmers supply "a portion of U.S. food aid, shipped overseas on privately-owned U.S. flag cargo ships" (Morgenstern & Brown, 2022). Companies provide donated goods, hardware, and software in support of USG assistance programs. Another important way U.S. private sector entities support development assistance is not merely as "paid implementers" but as co-financiers in joint projects with the USG in areas of shared interests (ibid.). Historically, some of the best examples of these private-sector partnerships have focused on specific sectors or grand challenges—from power generation and minerals to public health and economic development (see Section 3.2).

2.3 Foreign Direct Investment, Trade, and Finance as Indirect Growth Engines

Development assistance, as supplied by U.S. public and private sector actors via grants, loans, equity, and technical assistance, are important sources of financing to support development in low- and middle-income countries. Nevertheless, these flows are smaller and less sustainable than other economic relations between the U.S. and the Global South. For this reason, we must consider the roles of FDI, trade, and financial services as increasingly important parts of the economic growth equation in poorer countries. The opportunity is there for the U.S. to employ these potentially powerful instruments within America's foreign policy toolkit in ways that are mutually reinforcing with development assistance.

2.3.1 Foreign Direct Investment

Low- and middle-income countries attract a growing share of global FDI outflows. In the last three decades, FDI to developing countries skyrocketed from US$33.6 billion in 1990 to US$916.42 billion by 2022 (UNCTAD, 2023). There has also been a corresponding uptick in FDI targeted to the subset of least developed countries, albeit at more modest levels (from US$542 million to US$22 billion) (ibid). The U.S. was the single largest supplier of outbound FDI in 2022, accounting for US$6.6 trillion globally (BEA, 2023). Nevertheless, the lion's share of American FDI has focused on advanced economies in Europe and Canada,[5] and Asia and Latin America to a lesser extent (ibid).

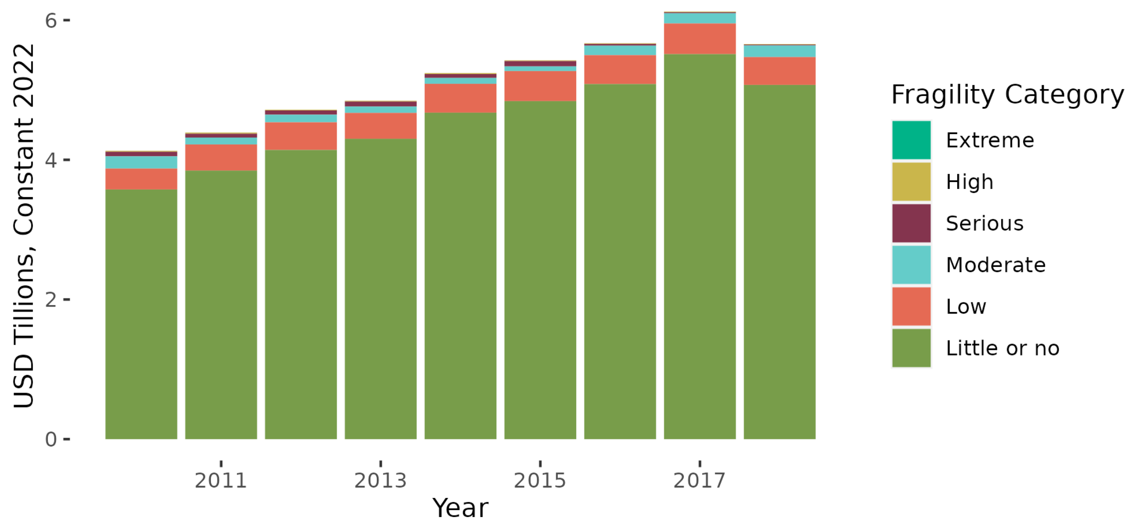
Comparatively, emerging markets receive marginal amounts of U.S. FDI, even in contexts with relative political and economic stability (ibid). This status quo is a missed opportunity for developing countries where leaders routinely cite job creation as a top priority (Custer et al., 2022) and for American companies searching for next-generation markets. Africa is a case in point. The continent consistently captured less than 1 percent of American FDI from 2009 to today (U.S. BEA, 2023), despite the tripling of its middle class over three decades (AfDB, 2011) and the future productive potential of the world's most youthful population (Signé, 2022; PRB, 2023).

The relative absence of U.S. FDI is more pronounced in countries experiencing higher levels of state fragility. Between 2010-2018, only 2 percent of American FDI was in countries with moderate or worse levels of fragility (Figure 3). Even as U.S. companies increasingly embrace corporate social responsibility programs (G&A, 2020) and environmental, social, and governance (ESG) safeguards (Deloitte, 2022), they are still responsible for delivering profit to their shareholders. By definition, fragile states have less predictable business climates

[5] In 2022, the five countries attracting the largest share of U.S. FDI were the United Kingdom, Netherlands, Luxembourg, Ireland, and Canada.

and higher levels of political risk, often making them less attractive destinations for U.S. FDI.

Figure 3. U.S. Outward Foreign Direct Investment Stock, by Country Fragility Level, 2010-2018



Note: U.S. direct investment abroad calculates the value of all investments where U.S. investors own at least 10 percent of a foreign business, including transactions between affiliates and their owners, the income that the investors earn on their direct investments, and the cumulative value – or position – of outward direct investment.

2.3.2 Trade

Trade is another powerful resource to fuel economic growth in low- and middle-income countries. Similar to trends in FDI, trade with developing countries has expanded dramatically from US$4.1 trillion in 2005 to US$13 trillion by 2022 (UNCTAD, n.d.). Although the least developed countries are farther behind in absolute terms, they have seen an uptick in trade that grew 3.6 times during the same period (US$89 billion to US$317 billion) (ibid). However, for trade to catalyze shared prosperity, countries must be more than mere importers of goods and services from advanced economies; they need access to export markets abroad.

Developing countries have broken through to capture an expanding share of the world export market (42 percent in 2022). Their Achilles heel is heavy reliance on a narrow set of commodities and lower-value manufacturing goods—a challenge that is particularly acute in Africa (ibid). By contrast, the least developed countries have failed to launch, remaining stagnant at 1 percent of world exports over two decades.

The U.S. is the world's second-largest trading nation behind the People's Republic of China (PRC), accounting for US$7 trillion in exports and imports with over 200 countries in 2022 (USTR, 2023). In the eyes of the Global South, the U.S. is among the top destinations for their exports: 17 percent for developing economies and 8 percent for least developed countries (UNCTAD, n.d.). Nevertheless, these countries make barely a dent within the big picture of U.S. trading relations. Of the US$3.3 trillion in goods Americans imported in 2022, 52 percent came from just five countries: the PRC, Mexico, Canada, Japan, and Germany (USAFacts, 2023).

America's largest trading partners tend to receive no USG assistance (e.g., Canada, Japan, and Germany) or minimal amounts (e.g., the PRC). The largest aid recipients are heavily skewed toward conflict, post-conflict, and disaster settings. Iraq, Afghanistan, Ethiopia, and Ukraine attracted a quarter of economic aid over the past two decades, none of which had a market capable of sustained engagement with American trade. However, two unique case studies stand out, Mexico and Egypt, that are worth a closer look.

Mexico's status as a major source of U.S. imports (3rd largest) and destination for U.S. exports (2nd largest) benefits from geographic proximity, favorable trading agreements,[6] and U.S. interest in near-shoring to secure supply chains (Meltzer et al., 2023). It also attracted US$4.2 billion in economic activities over the last two decades, focused on narcotics control, law enforcement, and human rights activities. The 2022-2023 U.S.-Mexico High-Level Dialogue identified the two countries' shared interests in sustainable economic and social development and cybersecurity (USTR, 2023).

6 The North American Free Trade Agreement (NAFTA) and its successor the United States-Mexico-Canada Agreement (USMCA)

Egypt is a less rosy story: it received ample public sector development assistance in the “trade and investment sector” (US$2.5 billion between 2001-22) but minimal U.S. private sector-led trade. The Middle East and North African region’s populous nation ranks 51st in imports to the US and 33rd as a market for US exports, just behind Vietnam. Its trading levels with the U.S. have been volatile rather than sustained. Two decades of aid for trade assistance, initially as budget support and project finance routed through the government before a pivot to trade promotion activities managed by U.S. private contractors, has not appeared to bear much fruit. Of course, there were numerous complicating factors that likely also affected Egypt’s economy during this period—from political instability (e.g., revolution, elections, a coup d’etat) to macroeconomic instability (e.g., free-floating the pound) (Feteha et al., 2016).

2.3.3 Financial Services and the Role of Commercial Project Finance

The financial services sector contributed 8 percent of U.S. gross domestic product in January 2023 (Trading Economics, 2023). America’s commercial banks and insurance institutions are a comparative advantage and a competitive asset, representing 41 percent of global equity and 40 percent of fixed-income markets (SIFMA, 2021). Although bilateral and multilateral development finance institutions are important sources of capital for the Global South, U.S. commercial financial institutions are underutilized in how America engages with low- and middle-income countries.

Commercial banks have often been a partner of choice for foreign governments and private actors when raising capital to finance private or public sector development projects. However, the landscape of private project finance to support development projects overseas has shifted: there is a growing number of players, the space is dominated by a handful of banks, and American financial institutions have fallen behind their peers (Garcia-Kilroy & Rudolph, 2017).

In 1997, U.S. banks held 50 percent of the private project finance market (ibid). By 2015, this share had declined to 4 percent as U.S. investors navigated recessions (ibid). In parallel, European banks held steady, Japanese banks surged to acquire a quarter of the market (ibid.), and the PRC has flooded the project finance space with commercial finance with the launch of BRI (Malik et al., 2021). In contrast to American or Japanese lending, PRC finance extensively uses co-financing across state-owned policy banks and commercial banks, with nearly a third of Beijing's loans employing this "hybrid" financing mechanism (ibid).

3. Strategies and Modalities: How Has the U.S. Government Engaged American Private Sector Finance and Expertise to Amplify Development Assistance?

Mobilizing private sector resources to work in low- and middle-income countries, collaborate effectively with public sector agencies, and advance U.S. foreign policy goals is easier said than done (Table 4). Private sector actors are sometimes reluctant because of unknown political, financial, or reputational risks. Philanthropies and non-profit organizations often have a humanitarian mission. In contrast, companies have a responsibility to generate profit for their shareholders, which is difficult to guarantee in contexts with higher instability. Private sector actors may be at a loss regarding whom and how to work in a developing country due to a lack of information, networks, or skills. Meanwhile, partnering with the USG may not hold appeal for various reasons: bureaucratic red tape, cultural divides, philosophical differences, or lack of clarity about the practical value of such collaborations.

Table 4. Private Sector Engagement Pain Points, Engagement Strategies, and Modalities

Pain Point(s) to Overcome	Private Sector Engagement Strategies	Illustrative U.S. Government Modalities
Political, financial or reputational risks in the developing country	Hedge against risks of working in the developing country	Political risk insurance, credit guarantees, currency swaps, investment guarantees
Bureaucratic red tape,organizational or cultural differences working with the USG	Reduce known downsides of collaborating or partnering with the USG	USG-focused acquisition and procurement reforms, building capacity and culture of private sector engagement
Unclear benefits of engaging (e.g., market potential, reputational benefits)	Increase likely upsides of working in the developing country	Country-focused reforms to improve business and investment climate, joint promotional activities with the USG and partner country government, tax incentives, reduced trade barriers
Unclear value of collaborating or partnering with the USG	Improve the known benefits of collaborating or partnering with the USG	Equity investments, investment funds, debt financing, matching contributions, PPPs, export promotion
Uncertainty about who to engage with and how due to lack of information, networks, or skills	Alleviate uncertainties of working in the developing country	Feasibility studies, technical assistance, deal teams, matchmaking to twin U.S. companies with local counterparts, capacity building

3.1 Hedging Risk, Alleviating Uncertainties of Working in Developing Countries

Lack of access to affordable long-term financing is a critical constraint to growth. Without it, low- and middle-income countries cannot invest in activities that generate lasting economic value and societal benefits (Spiegel & Schwank, 2022). Countries may have more options to finance their development than ever (Greenhill et al., 2013), but at a steep financial cost, often three times higher than advanced economies (Spiegel & Schwank, 2022). Perceived risks from political instability or lack of local market knowledge make private sector investment more unpredictable, reflected in higher capital costs (ibid).

Meanwhile, domestic government revenues and international grant-based assistance are too small-scale to substitute for a ready supply of FDI to support growth sustainably (World Bank, 2017). Bilateral development assistance providers like the U.S. and multilateral development banks have long sought ways to incentivize private sector investment that is mutually beneficial for advanced and emerging economies alike (Gordon, 2008).

3.1.1 The Antecedents of the Development Finance Corporation

America's first foray in this vein was the formation of two U.S. Export-Import Banks in 1934 by President Franklin Roosevelt. The banks focused on stimulating trade with the Soviet Union and the rest of the world before being merged by Congress in 1935 (State, n.d.d). The *Export-Import Bank Act of 1945* would make the Export-Import Bank a U.S. government corporation (Bryant, 2003). The motivation was two-fold: kick-start the economy, promote American exports abroad following the Great Depression and rebuild Europe after World War II (ibid). From then until now, the Export-Import Bank has helped U.S. firms cultivate overseas markets for their products via direct loans, loan guarantees, and export credit insurance, which helps to offset potential losses in risky markets in the event of political instability or default (White House, 2015; Bryant, 2003).

The USG's embrace of political risk insurance was not limited to export promotion. Dating back to the *Foreign Assistance Act of 1961* (P.L. 87-195), Congress granted a three-year authorization for the Kennedy administration to issue investment guarantees[7] to promote private sector investment in low- and middle-income countries (Akhtar, 2016). In 1969, it passed legislation to formally establish the Overseas Private Investment Corporation (OPIC) with a mandate to help companies manage risk associated with FDI and gain footholds in new markets. OPIC entered into operation in 1971 as a wholly-owned USG corporation (Akhtar, 2016). President Richard Nixon stressed that the new agency "cannot substitute for government assistance programs," instead that two channels can reinforce one another (ibid).

OPIC served as the lead USG development finance institution through the rest of the Cold War, the 1990s, and the 21st Century. It offered loans, guarantees, political risk insurance, and support for investment funds to help U.S. businesses contribute to economic growth in emerging markets (OIG, n.d.). One success worth highlighting for OPIC was its ability to promote private sector investment in some of the most challenging business climates in the world: fragile states. As a case in point, over a quarter of all OPIC commitments went to fragile countries. This includes US$1.5 billion (nearly 4 percent of commitments) in "high" fragility contexts to support financial sector development and electric projects in Burkina Faso, Uganda, and Pakistan.

OPIC, of course, was a bilateral extension of what multilateral development banks like the World Bank had piloted earlier with the launch of its International Finance Corporation in 1956, which encouraged private investment through a blend of co-financing, identification of promising opportunities, and advisory services (IFC, 2016; World Bank, n.d.). OPIC would not only model itself after the International Finance Corporation but also the Multilateral Investment Guarantee Authority established by the World Bank Group in 1988 as a "multilateral provider of political risk insurance" with the U.S. as one of 29

[7] Investment guarantees are effectively an "insurance product" to help companies hedge against potential losses from investments in developing countries incurred in the face of political instability (Gordon, 2008). Several conditions must typically be met for a risk to be "insurable" and therefore able to be covered by insurance: "assessability (profitability and severity of losses should be quantifiable); randomness (the insured event occurs should be unpredictable and out of the control of the insured)," etc. (ibid)

original members of the "legally separate and financially independent" entity (MIGA, n.d.). The differentiator between these multilateral channels and OPIC was the latter's animating focus on catalyzing involvement of the U.S. private sector in emerging markets as opposed to companies from other countries.

Mainline development agencies like USAID also embraced insurance guarantees by forming the Development Credit Authority under the Office of Development Credit in 1999. The Development Credit Authority offered four types of insurance guarantees to make it less risky for banks and other financial institutions to offer access to cheaper lending for micro, small, and medium enterprises in emerging markets to scale their businesses (Wasieleweski, 2017; OECD, 2016). It stood apart from other instruments available to USAID as the Development Credit Authority set out from the start to be "private sector driven" but "development focused": it encouraged lenders to supply credit in alignment with their existing business standards and processes, shared the risk to make it easier to lend to less well-known borrowers in ways that would advance development outcomes, and positioned USG funding as leverage to crowd-in larger scale private capital (ibid).

Over 17 years (1999-2015), the Development Credit Authority worked with 480 financial partners to supply US$4.2 billion in private capital to 215,000 borrowers in 74 countries at a default rate of 2 percent (OECD, 2016a). USAID also appeared to successfully use the Development Credit Authority funding mechanism to mobilize US$35.6 million in PPP finance for extremely fragile contexts. These USAID projects supported the financial sector and banking in Ethiopia, solar plants in Burundi, and four separate projects in Afghanistan in 2017 and 2018.[8]

The purpose and form of the Development Credit Authority's financial offerings differed substantially from OPIC in several ways. OPIC worked with U.S. private companies, providing 100 percent guarantees on debt financing in the event of loss (Wasielewski, 2017). The Development Credit Authority offered 50 percent guarantees to non-U.S. and U.S. institutions (ibid.). OPIC was an independent,

[8] Details of specific projects and recipients in Afghanistan have been redacted across DFC data following the takeover of the Taliban government.

free-standing entity. The Development Credit Authority was a specialized tool within USAID's larger toolkit to be used alongside grants or technical assistance. Combining these tools reduced the likelihood of borrower default in the short-term and improved their long-term creditworthiness (ibid).

3.1.2 The Arrival of the BUILD Act and the Development Finance Corporation

This status quo changed with the arrival of the U.S. International Development Finance (DFC). In 2018, Congress passed the *Better Utilization of Investments Leading to Development (BUILD) Act* to consolidate two streams of guarantee and development-loan authority, OPIC and USAID's Development Credit Authority, under one roof. Established in 2019, the DFC is a one-stop shop for a more expansive set of financial products, offering direct loans and guarantees, equity investment, investment funds, feasibility studies, political risk insurance, and technical assistance in project planning (DFC, n.d.c). The legislation marked an expansion of U.S. development finance potential: it doubled the amount of money DFC could invest to US$60 billion from US$29 billion under the OPIC era.

Because its revenues are appropriated by Congress using U.S. Treasury lending, the DFC does not need to maintain a credit rating, reducing the burden of investing in riskier markets. It returns the proceeds of its loans to the Treasury, which it did to the tune of US$394 million in the first two full years of its operation in FY2020 and FY2021 (Akhtar & Brown, 2022). Beyond the two traditional motivations for U.S. development finance—promote American commercial interests abroad and reduce costs for emerging markets to access financing for development —there was a third animating factor in DFC's creation: geostrategic competition with the PRC and its Belt and Road Initiative.

The legislation did not explicitly refer to the PRC by name. However, it says that the DFC's goal is to "facilitate market-based" growth in less developed countries and "provide a robust alternative to state-directed investments by authoritarian governments and strategic competitors" (BUILD Act §1411, 2018; Akhtar & Lawson, 2019). The move was widely understood by Democrats and

Republicans as inspired, at least in part, by increasingly heated competition between the U.S. and the PRC to project influence in the Global South (Thrush, 2018; Akhtar & Lawson, 2019), a topic central to the last two national security strategies in 2017 and 2022 (White House, 2017 and 2022c).

The new agency started slowly, with the first few deals only materializing in 2020. Structurally, its ability to source new projects was limited without a presence on the ground in partner countries. Large-scale investments take time to operationalize, particularly while adhering to Congressionally-mandated social and environmental safeguards. The DFC has a larger resource pool to work with than its predecessors but operates within an investment cap (US$60 billion) that pales in comparison to the US$85 billion per year (or higher) in total development finance the PRC committed on average in the first five years of BRI implementation (Malik et al., 2021).[9]

In background interviews conducted for this research, some observers argued that the DFC was too risk intolerant, deterring it from investing in riskier sectors and markets. The U.S. Treasury arguably imposes some of these constraints over concerns about risk to U.S. markets, and congressional and executive branch leaders request waivers for the DFC to fund priorities in upper-middle or high-income countries.[10]

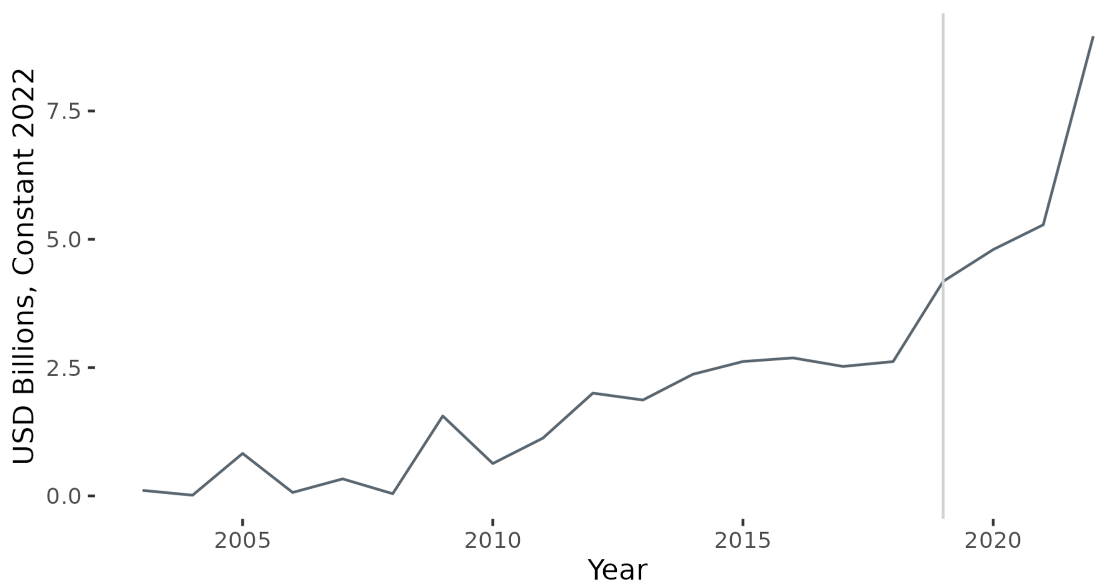
Nevertheless, there has indeed been an uptick in new financing committed even in the first few years under the DFC name. In just three years (FY20-22), the DFC committed US$18.1 billion to support overseas development, compared with OPIC's US$28.5 billion over 21 years (DFC, n.d.i). DFC also set a new record in fiscal year 2022 with commitments of US$7.4 billion across 183 transactions and exposure in 110 countries (DFC, 2022b). The DFC has thus far maintained a slim

[9] According to an embargoed preliminary analysis from Parks et al. (forthcoming), AidData's original estimate of the PRC's average annual development finance commitments between 2013 and 2017 (US$85 billion per year) substantially understated what we now understand to be more on the order of US$117 billion per year in the first five years of BRI implementation.

[10] The DFC (n.d.) is typically "unable to work in high-income countries or support investments in countries where the governments of those countries have not entered into agreements with the United States authorizing DFC to provide such support." However, in July 2021, congressional leaders considered an amendment to the Ensuring American Global Leadership and Engagement (EAGLE) Act that would have modified the DFC's mandate to allow it to fund investments in high-income countries—it was ultimately not adopted (Savoy, 2021). Waivers have been sought and granted to work in upper-middle and high income countries "if there is a national security imperative and in an underdeveloped region that would benefit from private sector investment" (ibid).

majority of its portfolio in low-, lower-middle, and fragile countries. However, transaction-level data (FY20-22) confirms extensive use of waivers—from investments in three high-income contexts (regional connectivity in Eastern Europe, fiber-optic cables in Singapore, and a hospital in Oman) to 24 upper-middle income countries and several regionally focused efforts tagged as benefiting upper-middle or high-income countries.[11]

Figure 4. Value of New Investment Support Project Commitments by OPIC and DFC, 2000-2021



Note: The vertical gray line indicates the establishment of DFC and its adoption of OPIC projects. OPIC and DFC commitments only represent the original principal/investment value that DFC has committed to provide or guarantee, by fiscal year, that projects were first obligated. For Insurance transactions, the original aggregate coverage limit that DFC has committed to provide. It does not reflect repayments or capitalized interest or capture the private sector resources invested in projects. Source: Development Finance Corporation.

In some respects, the DFC's investments reflect a continuity from the priorities of the OPIC era. Although the DFC has five *stated* sector priorities,[12] in practice, it has directed nearly half of its investments for fiscal years 2020-2022 to finance and insurance activities related to micro, small, and medium enterprise (MSME)

[11] Thus far, the DFC has been able to maintain a slim majority of its portfolio (60 percent) focused in low-, lower-middle, or fragile countries.

[12] Finance for Small Business and Women Entrepreneurs, Climate, ICTs, Healthcare, Infrastructure, and Agriculture and Food Security.

banking institutions or initiatives targeting women's financial inclusion—consistent with its predecessor OPIC. Both OPIC and DFC also committed substantial funds to utilities.

However, the geostrategic context within which the BUILD Act was passed (i.e., competition with the PRC's BRI) is evident in the DFC's early funding priority to underwrite projects related to oil, gas, and mining. In just a few years, the DFC's commitments in the extractives industry (US$1.7 billion) exceeded the entirety of OPIC's support to the sector over the previous 17 years (US$1.5 billion). The DFC's commitments are largely driven by political risk insurance supplied to an LNG project in Mozambique and a non-Russian gas development project in Moldova. Despite the Biden administration's stated climate commitments and the DFC's support for a first round of green bonds in Egypt, supporting new energy production projects is of growing political interest to help countries reduce dependence on Russian LNG imports.

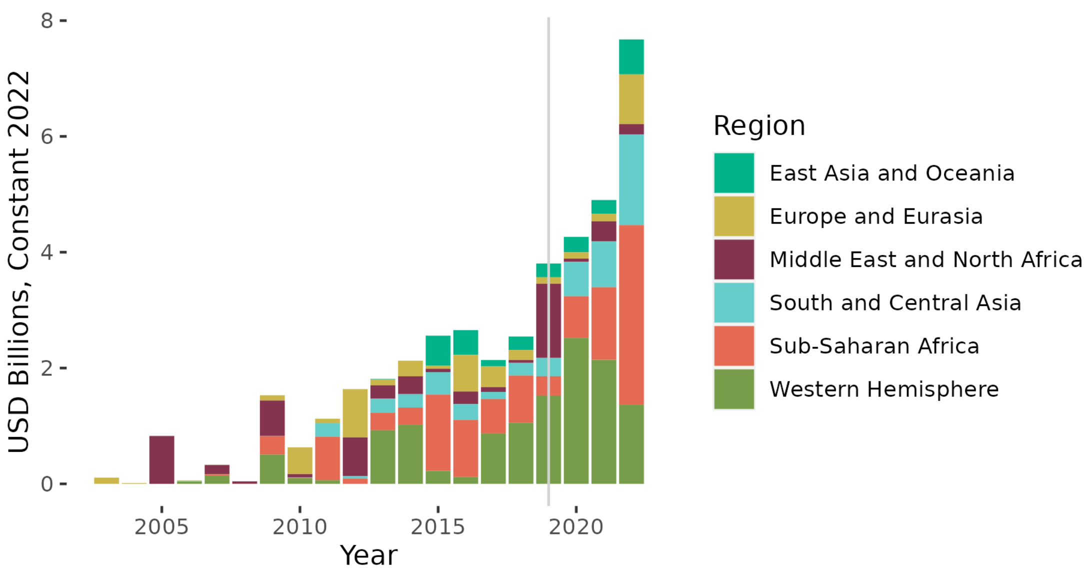
Relatively high levels of investment in the extractives sector appear to have displaced other DFC-stated priorities, such as agriculture. The second highest priority for USAID's Development Credit Authority, agriculture projects only account for 0.6 percent of DFC financing commitments thus far (US$9.4 million). Despite being a named priority for DFC, healthcare has been less prominent in early investments than expected, especially as countries seek to recover from the COVID-19 pandemic and strengthen their internal systems to prepare for the next one.

One noteworthy exception is the DFC's recent partnership with Aspen Pharmacare. Based in South Africa, the company received the Gates Foundation and Coalition for Epidemic Preparedness Innovations grants to strengthen the production of vaccines in Africa. This set the stage for the DFC to provide scale-up financing that enabled Aspen to extend production capacity to up to 450 million vaccine doses per year, addressing a range of diseases (DFC, 2023).

The geographic profile of investments has also shifted somewhat between the OPIC and DFC eras. Three regions come out ahead, attracting a growing share of new investments between the OPIC and DFC periods, including Latin America and the Caribbean (from 29 to 36 percent), Sub-Saharan Africa (22 to

32 percent), and South and Central Asia (9 to 17 percent). Within South Asia, India is a major investment destination, accounting for US$870 million in commitments across 14 projects from manufacturing and MSME finance to microlending in fiscal year 2022. Comparatively, Europe and Eurasia (from 12 to 2 percent) and the Middle East and North Africa (from 17 to 3 percent) have become less of a priority for DFC than OPIC.

Figure 5. Value of New Investment Support Project Commitments by DFC and OPIC, by Region, 2000-2021



Note: The vertical gray line indicates the establishment of DFC. This figure excludes commitments with worldwide intent. OPIC and DFC commitments only represent the original principal/investment value that DFC has committed to provide or guarantee, by fiscal year, that projects were first obligated. For Insurance transactions, the original aggregate coverage limit that DFC has committed to provide. It does not reflect repayments or capitalized interest or capture the private sector resources invested in projects. Source: Development Finance Corporation.

In its second year of operation, DFC leadership pursued opportunities to coordinate and collaborate with mainline development agencies. It launched and led the Development Finance Coordination Group (DFC, 2022a), which marked an early success in facilitating a new small business initiative with the U.S. African Development Foundation to grant loans to early-stage companies (ibid.). Outside of Washington, the DFC's Mission Transaction unit works within USAID missions to identify access to finance challenges in developing countries and encourage banks to lend to priority development projects (DFC, n.d.a). Early wins include the launch of loan portfolio guarantees with four commercial banks in Serbia to improve access to finance for small and medium enterprises (DFC, 2022d). The DFC CEO, as Executive Chairman of Prosper Africa, also ensured that the DFC has a core role in the government-wide initiative and facilitated the rapid expansion of DFC projects on the continent (Figure 5) (DFC, 2022a).

3.2 Reducing Downsides, Improving Upsides for the Private Sector to Engage with the USG

The USG has a long history of contracting private sector entities to implement development assistance programs (since the 1960s) and supplying loans and loan guarantees via OPIC (since the 1970s). However, it has a shorter track record of mainline development agencies brokering private sector partnerships that pool financing, risk, and expertise (Lawson, 2013). Indeed, many of the modern contracting partnerships emerged in part as a means of mitigating risk in project delivery between the USG and partners, yet few vehicles that view risk as a potential tool are newer on the scene.

3.2.1 USG Stated Priorities and Approaches to Private Sector Engagement

President George W. Bush's Global Development Alliance program, launched in 2001, was USAID's first formal mechanism to co-create projects with the private sector to advance business and development objectives (USAID, n.d.c). The initiative included resource partners that contribute funding or in-kind contributions to match USG funding at a ratio of one-to-one or greater, as well as implementing partners that execute the delivery of projects (OECD, 2016). This mechanism had staying power, only retired in August 2023, and transitioned to the Private Sector Collaboration Pathway (USAID, 2023b).

Since 2004, the Millennium Challenge Corporation (MCC) has engaged the private sector in three ways: soliciting advice on constraints to growth via Advisory Councils at global and country levels, crowding in private sector capital to invest alongside its grant-based funding, and providing open procurement opportunities (Lee, 2022; MCC, n.d.e). Bush's Secretary of State, Condoleezza

Rice, brought private sector partnerships to the Department of State, establishing a Global Partnership Center in the Bureau for Research Management in 2008 to tap into private sector expertise and resources to strengthen diplomacy and development outcomes (Lawson, 2013). The Center's objective was to mobilize US$150 in private sector commitments for every US$1 in USG funding spent as a convener of people around shared interests and catalyst of projects benefiting from market solutions (State, 2009-2017 Archive). An early Bush-era PPP initiated in 2002 featured collaboration between USAID, the United Nations Development Program, and ChevronTexaco focused on the agriculture and water sectors in Angola.[13]

President Barack Obama doubled down on his predecessor's private sector partnership efforts and made them his own. He renamed the Global Partnership Center to become the Global Partnership Initiative. He elevated its status to that of a seventh-floor entity reporting directly to the Office of the Secretary of State (Lawson, 2013). The Office remains today and has worked with over 1600 partners to mobilize US$3.7 billion in combined public and private sector resource commitments (State, n.d.e). Obama institutionalized the Global Development Alliance mechanism, along with a broader emphasis on private sector partnerships, as a core pillar within USAID's new Global Development Lab (Lawson, 2019; USAID, 2017-2020 Archive).

Mobilizing private sector involvement was prominent in Obama's 2010 Presidential Policy Directive on Global Development (White House, 2010). He sought to integrate private sector perspectives, from policy conception to program implementation, to multiply the impact of USG development assistance. The U.S. Global Development Council was formed to solicit input from "the philanthropic sector, private sector, academia, and civil society" (White House, 2010), as well as overcome barriers to collaboration in order to "support new and existing public-private partnerships" (White House, 2012).

[13] Initially, using matching funds through an Enterprise Development Alliance, USAID and ChevronTexaco leveraged US$20 million in support of technical assistance and Small and Medium Enterprise development (Chevron, 2002). The USG's convening power enabled Chevron to crowd-in a matching fund partnership with United Nations Development Program for another US$10 million (ibid). The project sought to help Angolans build entrepreneurial skills, and sustainably diversify the economy in sectors outside of Chevron's own petroleum interests (Gienger, 2012). By 2012, Chevron independently directed $900 million of its $2.5 billion operating costs to contracts with Angolan companies (ibid).

The administration piloted new initiatives to crowd in private sector engagement. The MCC's Public-Private Partnership Platform was launched in 2015 with a budget of US$70 million to catalyze private sector financing worth US$1 billion over five years (OECD, 2016j). These projects were to be "country-led" and meet the agency's required criteria (e.g., country scorecard performance, project cost-benefit analysis, and due diligence processes)(ibid). State's Office of Global Partnerships introduced smaller-scale efforts to engage diaspora communities (e.g., Diaspora Voices, International Diaspora Engagement Alliance), educational institutions (e.g., Diplomacy Lab), and private companies (e.g., an Impact Award to celebrate leading Public Private Partnerships, the Global Entrepreneurship Program) (State, n.d.e; State, n.d.f).

However, Obama's emphasis on sector-based PPPs is arguably one of the most visible examples from this era and has longer staying power. Power Africa was launched in 2013, with support from 13 USG agencies and 200 private-sector partners, to boost energy capacity across African countries (USAID, 2023a). The initiative doubled the USG commitment with de-risked private sector funds in its first year (Congress, 2014). The DREAMS partnership against HIV/AIDS launched in 2014 with the Gates Foundation, Girl Effect, Gilead Sciences, Johnson and Johnson, and ViiV is one of many examples in the global health arena (State, n.d.h; OECD, 2016e). The Responsible Minerals Trade Alliance mobilized private sector actors in telecommunications (e.g., AT&T, Verizon, Nokia) and Silicon Valley (e.g., Dell, Hewlett Packard, Intel) from 2010-2012 to support transparent sourcing of conflict-free minerals such as tin, tungsten, and gold (OECD, 2016i).

President Donald Trump continued the Obama era emphasis on private sector engagement, retaining earlier instruments such as USAID's Global Development Alliances and the State's Office of Global Partnerships. It also embarked on its own initiatives, one of which was Boldline, an accelerator launched in 2018 to scale up successful early-stage partnerships and provide additional connection points between the public and private spheres (State, n.d.a). USAID Administrator Mark Green's Private Sector Engagement Policy placed a premium on "enterprise-driven development" and "market-oriented solutions" as part of the agency's "Journey to Self-Reliance" strategy (USAID, 2018a). The policy sought to incentivize private sector engagement across the agency with four principles: engage private sector counterparts early and often, incentivize and value private sector engagement in planning and programming, expand the use of approaches and tools to unlock private sector potential, and build and act on the evidence of what works and does not (ibid).

Blended finance, the strategic deployment of public sector funds to improve an investment's "risk-adjusted return," gained substantial attention in the Trump era (USAID, 2020).[14] The American Catalyst Facility for Development paired the MCC's grant-based mechanisms with the DFC's debt financing in support of "coordinated, strategic investments" (MCC, n.d.a), syncing up the two agencies' investment cycles and business models that had previously hindered deep collaboration (DFC, 2022b). A joint MCC-DFC task force met in 2020 to lay the groundwork to operationalize the new blended finance facility (ibid). However, the first three compacts featuring these funds would not be signed until 2022 under the Biden administration with the governments of Lesotho, Kosovo, and Malawi (MCC, 2022).

In a second initiative, MCC launched the Millennium Impact Infrastructure Accelerator in October 2020 with Africa50, an investment platform established by African governments and the African Development Bank to mobilize private sector capital in critical sectors (e.g., power, water, sanitation, health, education, transport) (ibid). The accelerator sought to "address the root challenges to project development in emerging markets" by building a pipeline of "bankable, high-impact projects" and matching them with sources of public and private finance (MCC, 2023b). As of 2022, MCC reported that the initiative had a pipeline of 8 projects in varying stages of pre-feasibility assessment (MCC, 2022).

In parallel, USAID unveiled two of its own blended finance initiatives. USAID INVEST sought to help private sector partners overcome barriers to identify and buy-in to commercially viable projects in emerging markets (USAID, 2023g). It offered four services—identification of investment opportunities; transaction advisory services to link suppliers with capital seekers; structuring of blended

[14] Blended finance refers to "the use of government aid and philanthropic sources to mobilize private capital for social and environment results" (USAID, 2020).

finance instruments that feature grant, debt, and equity; and technical assistance to help with project pre- and post-feasibility assessments (ibid). In its sixth year of operation, USAID INVEST has cultivated a network of 579 private sector firms, facilitated 66 buy-ins, and mobilized US$1 billion in private capital for commercially viable projects in 82 countries (ibid). The focus of these projects is varied but dominated by investments in the financial and energy sectors (ibid).

USAID CATALYZE sought to complement INVEST with an emphasis on creating an enabling environment for sustainable private sector investment and capital beyond the life of any one project, supporting market assessments and other activities to incubate new deals (USAID, n.d.b). The first eight activities under CATALYZE began in 2019-2020 with US$86 million to support projects in education, financial services, women's empowerment, agriculture, workforce development, and private sector development (ibid).

President Biden argued that the USG should work to increase "the efficiency and efficacy" of its engagement with the private sector in his Memorandum on Revitalizing America's Foreign Policy and National Security Workforce, Institutions, and Partnerships (White House, 2021). In response to the memo, USAID Administrator Samantha Power launched the Private Sector Engagement Modernize initiative in 2022, building upon her predecessor's 2018 policy by outlining a series of reform initiatives to address a critical lack of agency skills and capacity to engage the private sector (USAID, 2023c), including closer collaboration with DFC (Ingram & Reichle, 2023). A new Private Sector Collaboration Pathway (the old Global Development Alliances by another name) emphasizes pursuing shared interests, joint responsibility, and co-creation (USAID, 2022b; USAID, n.d.d.).

Biden carried forward the interest in blended finance, focusing these efforts around realizing the administration's ambitious 2022 commitment that the U.S. would mobilize US$200 billion over five years for the Partnership for Global Infrastructure (White House, 2022b). In announcing a series of flagship initiatives, Biden wanted to demonstrate how public sector investments could catalyze hundreds of millions or even billions of private sector capital to advance development, diplomatic, and commercial goals (ibid). As of May 2023, the initiative had mobilized US$30 billion via grants, federal financing, and leveraging private sector funds (White House, 2022b).

A new USAID Digital Invest program was a case in point: it would leverage a small amount of USAID and State funding (US$3.45 million) to crowd in much larger private sector capital up to US$335 million to advance competition and choice of Internet service providers and financial technology companies in emerging markets (ibid).[15]The Biden administration's flagship initiative in this area, the Enterprises for Development, Growth, and Empowerment fund, aims to mobilize $50 million for sustained PPPs in areas related to the climate crisis, gender equality, and economic growth (USAID, 2023).

3.2.2 USG Revealed Priorities: Two Channels of Support to Public-Private Partnerships

In an environment of imperfect information, we triangulated the few data points available to examine two main channels by which USG funds may have benefited Public Private Partnerships since 2001.[16] U.S. agencies can help scale existing partnerships aligned with U.S. development assistance priorities, such as the International AIDS Vaccine Initiative or Global Alliance for Improved Nutrition. They can also deploy their resources and convening power to incubate fledgling partnerships that leverage USG funds. Although there are powerful examples of the U.S. supplying catalytic financing in support of partnerships in both respects, the level of investment is underwhelming. Examining the historical financing data surfaces several key insights about the USG's follow-through on deploying its development assistance budget in ways that catalyze private sector capital.

[15] The Digital Invest blended finance program is part of the larger Digital Connectivity and Cybersecurity Partnership (DCCP) which promotes competition and the development of secure networks throughout developing markets (White House, 2022d).

[16] This includes a snapshot of the state of play for active USAID-mobilized partnerships in 2015, as reported in the agency's Public Private Partnerships database (USAID, 2019), an exploration into the funds disbursed via Global Development Alliance projects from 2003 through 2022 and reported via ForeignAssistance.gov, and analysis of the USG's grants from USAID and other agencies within ForeignAssistance.gov to externally convened or pre-exisiting PPPs as an implementing partner.

One positive trend is that agencies like USAID appear to derive an increasing amount of leverage (i.e., non-USG dollars mobilized for each USG dollar spent) in the private sector partnerships they support—from 2.4 times public funding to 3.6 times by 2015.[17] The largest leverage in a single effort was the USAID FIRMS Project in Pakistan, which leveraged $17.1 million (current) in government obligations against US$693.9 million (current) to invest in small and medium enterprises in the agriculture and manufacturing sectors (USAID, 2019). Food security also attracted high-leverage partnerships to support water-efficient maize, heat-resistant wheat, and stress-resistant rice production with the Gates Foundation and Arcadia Biosciences, among others (USAID, 2019).[18]

A second positive signal is that USAID's Global Development Alliance may have helped the agency crowd in additional resources for countries too unstable for purely private sector investment. Thirteen percent of these investments over nearly a decade (2010-18) went to countries categorized as highly or extremely fragile (ForeignAssistance.gov). Comparatively, these contexts attracted just 0.2 percent of American FDI. Beyond the agriculture and environment focus of the Global Development Alliance, the USG invested a substantial share of funding (70 percent) for existing PPPs in global health (ForeignAssistance.gov), largely driven by the U.S. President's Emergency Plan for AIDS Relief (PEPFAR).

One of the largest USG investments in a health-focused partnership was support to the International AIDS Vaccine Initiative under four cooperative agreements stretching from 2001 through today. The most recent investment was the 10-year, US$340 million ADVANCE (Accelerate the Development of Vaccines and New Technologies to Combat the AIDS Epidemic) cooperative (IAVI, n.d.a). The initiative is a prime example of how the USG can magnify, if not necessarily leverage, funds through multi-partner PPPs. Founded by the Rockefeller

[17] Between 2001 and 2014, US$4.7 billion in USAID investments crowded-in an estimated US$11.5 billion of non-USG funds in current dollars (USAID Public-Private Partnerships Database, 2019). By 2015, USAID reported that it had crowded in US$6.4 billion in non-USG funding, against US$1.8 billion in USAID obligations (USAID PPP Portal, 2015).

[18] Africa under Obama's Feed the Future initiative listed US$300 million of leverage against US$1-8 million of USAID funding, some in partnership with the Gates Foundation. Arcadia Biosciences, the largest resource partner, reported US$950.6 million in private leverage to projects to develop though given the assets listed in its IPO 2014 (US$25 million), these leverage figures are likely optimistic (Arcadia, 2012).

Foundation in 1994, the International AIDS Vaccine Initiative also attracted funding from the UK government (since 1998) and the Gates Foundation (since 1999) (IAVI, n.d.b.). It scaled considerably with USG support (US$655 million over the past two decades).

However, a vulnerability evident in USAID's private sector partnerships is that they may rely on a relatively small number of repeat implementing partners and donor darlings.[19] This includes US-based organizations such as Chemonics International and Fintrac Global, Development Alternatives Incorporated and Technoserve, and ACDI/VOCA, along with local partners like the Alliance for a Green Revolution in Africa (Kenya),[20] 3 million Emerging Farmers Partnership (Tanzania), and Social Marketing Company (Bangladesh).

PPPs may face another challenge: waning enthusiasm. USAID funding for new partnerships under its flagship Global Development Alliance grew twelvefold between 2011 and 2017 before losing steam in 2018 and 2019, declining further amid COVID-19 and its aftermath to only US$47 million by 2022 (ForeignAssistance.gov). By contrast, total development assistance moved in the opposite direction, growing 34 percent between 2018 and 2022. More broadly, nine USG agencies bankrolled US$1.1 billion in activities with existing PPPs[21] (US$50.1 million/year on average) over 22 years (2001 and 2022). Accounting for only 0.17 percent of USG development assistance dollars, USAID contributed 91 percent of these funds, followed by State (8 percent). USG money channeled to

[19] Of the 366 public private partnerships reported in 2015, roughly one-third had implementing partners working across multiple partnerships (USAID, 2019).

[20] Also funded by the Gates and Rockefeller foundations, the Alliance for a Green Revolution attracted 12 percent of Global Development Alliance-tagged funding over the past two decades (ForeignAssistance.gov). It was the highest funded implementing partner for the past four years, including the COVID-19 pandemic.

[21] These partnerships were largely organized independently of the USG, and only later developed implementing partnerships with U.S. agencies.

existing private sector partnerships was never substantial but tapered off in recent years across all agencies.[22]

3.3 Improving Business Climates and Market Potential for U.S. Investment and Trade

Although countries in the Global South have become more integrated into international financial markets over the last few decades, U.S. trade and investment lags behind. The USG has historically employed several mechanisms to get the incentives right for mutually beneficial private-sector investment and trade with developing countries. An illustrative, though non-exhaustive list includes: (i) the provision of technical assistance to partner countries to more easily integrate with trading markets (e.g., "aid for trade"); (ii) reducing market access barriers for firms from developing countries to export their goods to the U.S. (e.g., tariff preference programs); (iii) extending agreements with preferential terms that reduce costs or increase competitiveness for U.S. firms to trade with another country and vice versa (e.g., bilateral or regional Free Trade Agreements, FTAs); and (iv) advisory services and support to U.S. firms in finding partners and negotiating deals (e.g., "deal teams").

3.3.1 Aid for Trade

The USG is the single largest supplier of trade capacity-building technical assistance across 110 countries, according to data from an annual interagency survey conducted by USAID (n.d.e). This aid for trade assistance helps countries gain access to new markets, comply with international free trade standards, improve the investment climate, and build their competitiveness on a global stage. Illustrative activities include advisory support in streamlining customs and procurement procedures, negotiating trade agreements, strengthening access

[22] In the early years, existing partnerships sattracted steadily increasing financing during the Bush and Obama administrations: US$303.6 million between 2001-2008 and US$470.4 million between 2009 and 2016 (ForeignAssistance.gov). However, this financing for existing PPPs lost ground during the Trump administration (-US$5.4 million/year on average) compared to the high point for these investments. This estimate includes USG agency disbursements in non-military foreign assistance which had the implementing partner categorized as "public private partnership." The preponderance of these disbursements were funded by USAID, with only 18 of them financed by other agencies such as the Departments of State, Interior, Commerce, and the Environmental Protection Agency.

to financing for exports/imports, and removing trade barriers. Projects like the MCC's US$188 million Benin Access to Markets project in the port of Cotonou have had direct and measurable impacts on costs and processing time, which are crucial in supporting the growth of trade (MCC, n.d.b.; Gero et al., 2016)

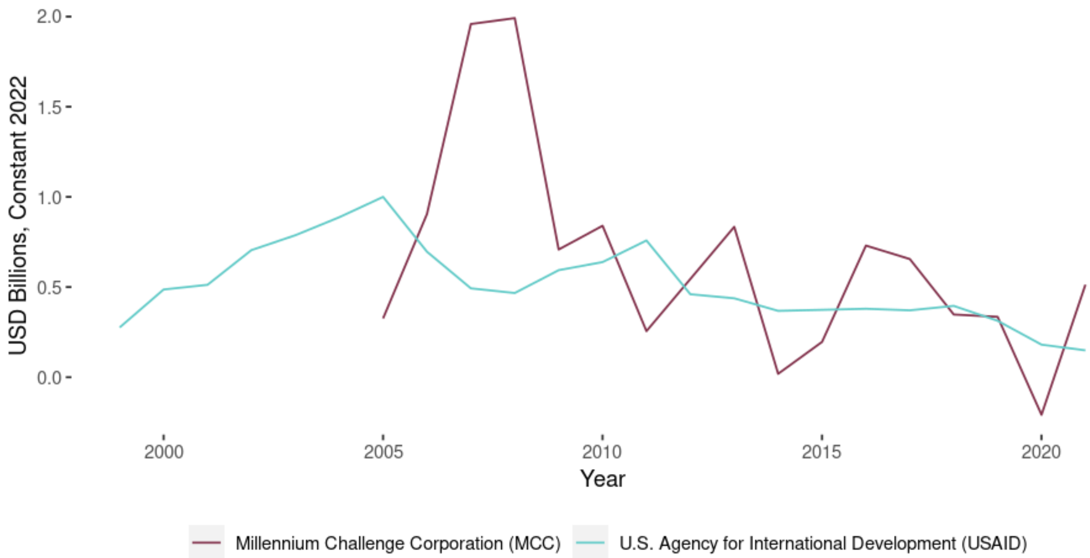
Over two decades (2001-2023), 25 USG agencies obligated US$32.5 billion in trade-based capacity building (USAID, 2023d).[23] Three-quarters of these funds were managed by just three agencies: USAID (36 percent), MCC (32 percent), and the U.S. Department of Agriculture (7 percent). USAID supports more but smaller activities (2246 activities, US$5.2 million on average), and MCC bankrolls fewer and larger activities (266 projects, US$39.1 million on average). MCC's aid for trade assistance is the most volatile across the agencies and accounts for most of the fluctuations in funding for these activities—from a surge in 2007[24] to a drop-off in 2015 and the nadir of 2020 (Figure 6).[25] Unlike much of the USG's grant-based funding, agencies predominately deploy aid for trade" assistance to middle-income countries (63 percent).

[23] Contributing agencies included: USAID, MCC, U.S. Department of Agriculture, along with the departments of Labor, State, Defense, Treasury, Commerce, Interior, Energy, Transportation, Homeland Security, Health and Human Services; OPIC, Export-Import Bank, Trade and Development Agency, Peace Corps, African Development Foundation, Inter-American Foundation, Federal Trade Commission, Department of Justice, Environmental Protection Agency, Small Business Administration, and Federal Mediation and Conciliation Services.

[24] This was also the largest single-year growth in funding since the launch of trade capacity assistance in 1999 (+28 percent): MCC alone accounted for 70 percent of this high water mark, obligating just under US$2.0 billion in funding for trade capacity projects.

[25] In 2014, overall "aid for trade" funding dropped 112 percent from the previous fiscal year when the MCC's net obligations only totaled US$19.1 million dollars (USAID TCB). The sharpest drop in trade capacity support coincided with the height of the COVID-19 pandemic, as the MCC de-obligated funds to projects across West Africa, with the largest drops happening in Ghana, Niger, Benin, and Liberia.

Figure 6. USAID and MCC Obligations to Trade Capacity Building Projects, 1999-2021



Note: This graph captures net obligations with the MCC and USAID as implementing agencies by fiscal year of obligation. Negative values reflect de-obligation of funds. Source: USAID Trade Capacity Building Database, 2023.

USAID and the MCC are the most prominent interagency players aid for trade, but not the only ones. The U.S. Department of Agriculture and DoD, for example, collaborated on an extensive trade infrastructure project in Colombia worth US$606.5 million (USAID, n.d.e). The Department of Justice and Federal Trade Commission regularly train counterparts on competition policy and intellectual property protection. Although projects related to competition policy and intellectual property protection account for a small share of funding, they are poised to play an important role in norm-setting in an increasingly digital global economy. The plurality of these projects went to the Middle East and North Africa and Europe and Eurasia regions. East Asia and Oceania attracted less attention in this area despite large manufacturing and technological sectors and vocal concerns over the PRC's aggressive co-optation of competitors' intellectual property assets (Bateman, 2022; Wei & Davis, 2018).

3.3.2 Free Trade Agreements and Tariff Preference Programs

The U.S. presently participates in 14 reciprocal FTAs with 20 nations, including 11 low- and middle-income countries, many in the Western Hemisphere (USTR, n.d.).[26] These FTAs intend to lower the market price of goods in both directions (reducing tariffs and other trade barriers) in mutually beneficial ways. A recent study provides compelling evidence to back up this claim: it found that the volume of U.S. agricultural imports from FTA partner countries rose by nearly five percentage points over a three-decade period, and U.S. agricultural exports to FTA partner countries saw larger gains (+19 percentage points) (Ajewole et al., 2022).

Developing country FTA partners accounted for a growing share of U.S. imports, from roughly one-fifth in 1989 to nearly one-third by 2020 (Ajewole et al., 2022). A drawback of these FTAs is that they may not help developing countries move up the value chain into higher value-added market segments and reduce their vulnerability to commodity shocks. Instead, export gains for developing countries were heavily concentrated in a small number of low-value commodities in which they have historical comparative advantage, such as Peruvian fresh fruit (which tripled), Nicaraguan sugar (+103 percent on average), and Mexican beef (+38 percent) (ibid).

Non-reciprocal tariff preference programs allow developing countries to gain "duty-free access to the U.S. market while increasing standards through strict eligibility criteria set by Congress" (Smith, 2023). These programs are not pure altruism; they benefit the U.S. in several important ways: lower prices for American consumers, diversified supply chains for American companies, and powerful levers for American policymakers to advance desired policy reforms within beneficiary countries (Murphy, 2023; Gresser, 2023).[27] They are also a

[26] This includes 4 low-income countries (e.g., Honduras, Jordan, Morocco, Nicaragua) and 7 middle-income countries (Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Mexico via USMCA, Peru).

[27] Policy-based eligibility criteria for countries to participate in tariff preference programs work as a type of "conditionality" making access to a desirable benefit (e.g., grants in an assistance context or duty-free access to the U.S. market in a trade context). For example, the Generalized System of Preferences included 15 policy-based eligibility criteria that are enforced for the duration of a beneficiary's participation in the program and cover a wide array of policies related to labor rights, intellectual property, arbitration, etc (Gresser, 2023).

boon to low- and middle-income countries that participate through supporting job creation and wage growth, as well as facilitating expansion into higher value-added industries (Gresser, 2023).

The longest-standing tariff preference program was the Generalized System of Preferences. Initiated with the Trade Act of 1974, the Generalized System of Preferences was renewed with bipartisan support several times. It benefited 119 low- and middle-income countries with duty-free access to supply more than 3600 goods to the American market with provisions to minimize downsides for U.S. businesses (Murphy, 2023; Gresser, 2023).[28] The geographic reach of the program was substantially more varied than FTAs, as the top beneficiary countries in 2020 (the last full year of operation) came from Asia, the Middle East, and Africa, in addition to the Western Hemisphere (Gresser, 2023). Unfortunately, the program lapsed in 2021, and it is uncertain whether, when, and how the agreement will be renewed (Eissenstat et al., 2023).[29] The loss of the Generalized System of Preferences means that once duty-free exports from developing countries are up to 25 percent more expensive for American consumers, a typical U.S. business must pay an extra US$100,000 to US$200,000 in duties to access these products, and developing countries are less competitive (Murphy, 2023).

There are several region-specific tariff preference programs, including the African Growth and Opportunity Act (AGOA), the Caribbean Basin Initiative, and the Pacific Islands and Nepal Preference Program (USTR, n.d.). The largest and most visible of these region-focused efforts is AGOA, the bedrock of the U.S. trade relationship with Sub-Saharan Africa since the passage of the *Trade and Development Act of 2000*. From the start, AGOA was presented as facilitating trade and investment of mutual benefit to the U.S. and African countries,

[28] This includes 3,614 goods for all 119 countries and 5,138 goods for least developed countries. There were several provisions within the Generalized System of Preferences intended to protect the interests of U.S. businesses: minimum content requirements (35% of material) from the beneficiary country; exclusion of goods deemed "import sensitive" and with the potential to harm U.S. industry; and explicit caps on the amount of a given product a country is able to export to the United States under duty-free status by market share and total value (Gresser, 2023).

[29] In late September 2023, the House Ways and Means Subcommittee on Trade held a hearing on "Reforming the Generalized System of Preferences to Safeguard US Supply Chains and Combat China." There appeared to be a consensus among members of Congress in attendance and those providing expert testimony over the importance of renewing the program but not much indication as to how to move forward (Eissenstat et al., 2023; Smith, 2023).

bringing not only economic growth but positive political development in the region. It has since been renewed and amended twice in 2015 and again in 2018 (CRS, 2023).[30]

The program offers approximately 40 eligible Sub-Saharan countries duty-free access to the American market for over 1,800 African products, representing US$6.7 billion in revenues and one-quarter of the exports from AGOA countries in 2021 (USTR, 2022).[31] Countries must meet several policy-based criteria to be eligible to participate in AGOA, such as minimal government interference in the economy, maintaining the rule of law, eliminating barriers to domestic and U.S. investment, strengthening anti-corruption institutions, and protecting worker rights, among other requirements. AGOA expires in 2025, making this a crucial time to reflect on its advantages and drawbacks from the past 25 years (Runde & Bryja, 2023).

One way to assess the utility of AGOA is the degree to which countries have increased their exports to the U.S. In its first eight years, imports from AGOA-eligible countries to the U.S. increased 8-fold, from US$8.2 billion to US$66.3 billion, driving an overall spike in trade with the countries (USTR, 2022). However, this rapid growth tapered off following 2012, and the AGOA-linked share of trade dropped from 76 percent in 2007 to just 40 percent of flows in 2019, before COVID-19 disruptions (ibid). This volatility is largely related to oil, which accounts for most AGOA exports (Figure 7), even as America's domestic production increased and energy imports dropped. AGOA exports to the U.S. recovered somewhat in 2022 (US$9.4 billion, +6 billion from 2021), but nothing approximates the trading levels seen in earlier years (CRS, 2023).

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[30] The *Trade Preferences Extension Act of 2015* reauthorized AGOA for another 10 years, while the African Growth Act and Opportunity Act and Millennium Challenge Modernization Act of 2018 further mandated provisions to promote transparency and utilization of the program. AGOA and the Millennium Challenge Modernization Act also authorized the MCC to enter into concurrent country compacts to promote regional trade integration between African partners. This has been applied to promote market integration between Burkina Faso and Côte d'Ivoire, and Benin and Niger. (MCC, n.d.c).

[31] The number of AGOA eligible countries has fluctuated over time. As of May 202, there were 35 AGOA-eligible countries, and up to 49 that are potential candidates (CRS, 2023). Ten Sub-Saharan African countries remain ineligible for AGOA due to either failure to meet the policy conditionalities or income level, as the preference benefits are only available to low- and middle-income countries (ibid).

There has been a clear demand in Africa to participate in AGOA: 18 eligible countries adopted a national strategy to take advantage of the legislation (Signé, 2023). Many countries already had protections as required by the preferential tariff program (e.g., protecting intellectual and private property rights and minimizing labor abuse or trade distortion). Nevertheless, the fact that countries have developed strategies to boost AGOA utilization (i.e., expanding exports to the U.S. in areas covered by the program) is a strong signal. It indicates receptivity to undertake reforms to access the U.S. export market. These utilization strategies have been an important success factor for countries like Mali, Mozambique, Togo, and Zambia to boost their exports to the U.S. by 90 percent (ibid).

Figure 7. AGOA-Eligible Good Imports and Total U.S. Goods Imports from AGOA-Eligible Countries, 2000-2021

Note: U.S. Goods Imports is the total value of goods imported from AGOA-eligible countries by fiscal year, AGOA Imports is the total value of all AGOA-eligible goods, including Generalized System of Preferences goods, imported by the United States, and AGOA oil imports reflects total U.S. AGOA-eligible oil imports. Source: U.S. International Trade Commission and U.S. Department of Commerce.

Nevertheless, demand is not entirely aligned with the supply of opportunities to export to the U.S. (Figure 8). Only a small number of AGOA-eligible countries have used the program at a significant scale (Helfenbein, 2015). Almost the entirety of non-energy exports from AGOA countries to the U.S. (90 percent) were from five countries (e.g., South Africa, Kenya, Lesotho, and Mauritius) (CRS, 2023). Nearly half have a "utilization rate of 2 percent or lower…[such that] 98 percent of their exports to the U.S. were subject to tariffs" (Signe, 2023). Kenya and Lesotho are noteworthy exceptions, with the majority of their exports to the U.S. qualifying for zero-tariff treatment (88 and 99 percent, respectively) (ibid).

The ability of U.S. policymakers to use AGOA as leverage to incentivize policy reforms in African countries or to advance U.S. foreign policy priorities has had mixed results. Obama's attempt to strong-arm Eswatini (formerly Swaziland) into reforming labor standards by revoking their AGOA eligibility had the unintended consequence of triggering the collapse of the country's garment industry (Gresser, 2023). It had more success in using the threat of removing AGOA eligibility to get South Africa to end its 15-year ban against U.S. poultry exports into the country (Spector, 2015). Time will tell if the prospect of AGOA participation is a strong enough pull for political leaders in places like Burkina Faso, Ethiopia, Guinea, and Mali (whose eligibility was revoked after backsliding on policy conditions) to improve their track record on human rights political pluralism, and the rule of law (CRS, 2023).

Figure 8. AGOA-Eligible Goods as Share of Total U.S. Goods Imports from AGOA-eligible nations, 2000-2021

Note: This chart tracks the share of AGOA-eligible goods imports, including Generalized System of Preferences, as a share of the total U.S. goods imports from AGOA-eligible nations, 2000-2021. Source: U.S. International Trade Commission and U.S. Department of Commerce.

3.3.3 Advisory Services and Support to U.S. Firms to Invest and Trade in the Global South

Limited relationships with, and visibility on, prospective local partners on the ground can be a significant hindrance to U.S. firms investing and trading at scale with developing countries. The USG has sought to alleviate these barriers, providing various types of advisory services and support to U.S. firms in finding partners and negotiating deals. Prosper Africa is one such example of this strategy. Launched in 2019, the Trump administration emphasized that ProsperAfrica was not a "new foreign aid program" (CRS, 2020) but a "one-stop shop" to double bidirectional trade between the US and African nations (ProsperAfrica, n.d.). Accordingly, the initiative brought in 17 US Agencies with teams embedded in embassies and a core office in Washington DC, to pull in commercial interest from import and export markets. The Trump Administration initially appointed the sitting head of the DFC as the Executive Chairman, while the mandate for operational authority was handed to USAID, though it is presently headed by an independent coordinator (CRS, 2020; USAID, 2023e).

Since its inception, Prosper Africa has recorded 1,236 deals in exports and investments by supporting agreements in 49 countries (ProsperAfrica, n.d.; Census.Gov, 2023). The initiative seeks to shift the USG relationship with the fastest-growing continent from the traditional focuses of humanitarian and security support to a new era of economic and business engagement (Usman & Auth, 2022). It also brings in prior initiatives and, rather than supersede them, seeks to complement existing efforts. Through AGOA and the African Continental Free Trade Area (AFCTA), the initiative helped support US$274 million in financing for affordable housing across West Africa.

One of the initiative's early success stories of a PPP was the USAID-baked collaboration with Burt's Bees to support a US$2 million, three-year program to support 1,200 Ghanaian shea farmers (ProsperAfrica, n.d.). Through USAID's West Africa Trade & Investment Hub, the U.S.-based skin care product company sought to develop deeper ties to local markets while diversifying income sources for women shea butter producers. With USG support, Ghanaian shea farmers piloted a beekeeping project, which improves the production of shea and creates a secondary market for beeswax, both of which are key ingredients in the U.S.-based Burt's Bees supply chain (ibid).

The Prosper Africa initiative faces several points of opportunity and challenge. It serves as a clearinghouse for 17 agencies' programs, streamlining information for private sector actors, but this same big-tent approach makes tracking the initiative's impact challenging. To date, Prosper Africa has supported an estimated US$70.8 billion in exports to the U.S. and two-thirds of total U.S. exports to Africa from 2019 to 2022 (Census.gov). The initiative is burdened with a triple mandate to foster interagency coordination, build transparency and rule of law in emerging African markets while also fostering economic growth (Usman & Kuth, 2022; CRS, 2020). As the initiative must serve as a one-stop shop for every point of contact, it lacks the autonomy to prioritize those high-impact industries where African partners and U.S. geopolitical interests most closely align (Usman & Kuth, 2022).

Prosper Africa also still awaits congressional authority. H.R. 6455, the Power Africa Act, was introduced to the Foreign Affairs Committee in the 117th Congress but has since languished in the Ways and Means Committee (Congress, 2022). The delays in this legislative process risk allowing the executive initiative to dissolve between administrations. However, it also offers the opportunity to revisit the legislation.

4. Past Lessons and Future Directions: How Might U.S. Government and Private Sector Actors Work More Effectively Together to Scale Development?

The private sector, broadly defined, is one of America's greatest resources and most underutilized assets to support sustainable economic growth and development in the Global South. This is not for lack of political attention or aspirational rhetoric—the USG's interest in engaging the private sector has been consistent over the last four administrations. Nor is the culprit insufficient vehicles to finance and operationalize these engagements, as the proliferation of initiatives, policies, and agencies attest. Instead, the most persistent challenges to effective private sector engagement more often boil down to issues of culture, capacity, and objectives.

In this final section, we briefly reflect on five emerging lessons to carry forward into future conversations about how the USG can better mobilize private sector expertise and capital as a force multiplier for development assistance efforts. In surfacing these lessons, we draw insights from the historical analysis of USG and private sector financing and partnership modalities, along with practitioner interviews with present and former officials across administrations, as well as a diverse set of private sector actors.

Lesson 1: Be More Specific About Which Private Sector Actors to Engage Where, How, and Why

The U.S. private sector is not monolithic. At the start of this paper, we defined "private sector actor" intentionally broadly to include profit-seeking institutions (e.g., private businesses, individual and institutional investors, profit-generating enterprises) along with private philanthropies, PVOs, universities, investment promotion entities, and other implementers of development projects. Each of these actors has resources and expertise to help countries meet the challenges of sustainable economic growth and development. These actors are diverse in their motivations, strengths, geographic and sectoral focus, and tolerance for risk and fragility. However, the USG's approach to private sector engagement is often unhelpfully generic and vague in seeking to crowd in private capital from everyone, everywhere, all the time. There is insufficient attention to thinking through *which* private sector actors to engage *where, how, and why.*

The USG can tell a lot from how private sector actors have channeled their resources in the past to be more strategic in pursuing partnerships in areas of revealed interest. Private foundations are likely the preferred partners to the USG to support development in fragile states, combine forces with vertical funds, and help agencies operationalize their commitments to localization. They are also well positioned to support health programs—from primary healthcare and reproductive health to developing robust disease management systems—in India and Sub-Saharan Africa. A subset of environmentally focused foundations may also align with the USG's growing concerns about climate vulnerability. Comparatively, large PVOs with specialized skills and clear mandates to operate in crisis and conflict zones may be more natural partners in humanitarian relief, peacebuilding, and conflict settings.

Agriculture, power generation, telecommunications, healthcare, infrastructure, and extractives are sectors where companies may be easily motivated to use blended finance solutions that turn classic market failure challenges into viable investments. Historically, successful examples of public-private sector partnerships have been oriented around grand challenges in specific sectors—from power generation and agriculture to public health and responsible minerals trade.

Lesson 2: Get More From Private Sector Partnerships with Better Data, Learning, and Success Metrics

If the adage is true that "you can't manage what you don't measure," then America's systems are falling short of its aspiration to strategically deploy modest USG funding in ways that catalyze much larger private sector investment. U.S. congressional and executive branch leaders are high on private sector engagement. However, the USG notably lacks a comprehensive publicly available dataset or repository to track and monitor how it supports PPPs to advance development outcomes beyond ad hoc single-agency efforts. USAID did report on some of its private sector partnerships from the early 2000s to 2016 with changeable definitions of what constitutes a PPP and with substantial missing data.

Inconsistencies in reporting in this dataset obscure the true value of funds mobilized by the USG and leveraged. ForeignAssistance.gov, the main platform to disclose U.S. foreign assistance activities, is more stable across years and agencies. However, these records typically show USG funds committed and disbursed rather than private sector funds mobilized or leveraged. Nor is there a reliable way to identify the full universe of PPP within this data.

Better data is insufficient without a clear idea of what success looks like at the end of the day. This, too, has been elusive for the USG's private sector engagement efforts. USAID (2018a) acknowledges the need for operational and performance measurements to monitor and evaluate the effectiveness of its partnerships. Some of this is a challenge of unfamiliar terminology for interagency development practitioners and Congressional committees that oversee their efforts, who are accustomed to dealing with grants and contracts rather than private sector concepts of leverage and additionality. It does not help matters that USAID's definitions and requirements for these terms are over a decade old and no longer accessible via public-facing sites.[32] The Private Sector Collaboration Pathway Annual Program Statements are also unclear on leverage assessment criteria.[33]

Interviewees pointed out that the frequent field rotations for staff (typically three years) compounds the familiarity challenge, as PPPs may take longer to come to fruition and bear results than a more predictable USG-funded development project. There is a growing awareness that traditional tools to evaluate impact and effectiveness in grant-funded projects are not necessarily fit to gauge the

[32] Outlined in USAID's policy, "Understanding Private Sector Value: An Assessment of How USAID Measures the Value of Its Partnerships."

[33] "In all cases, leverage will be considered and assessed based on whether, how and to what degree it improves the results of the collaboration; leverage is only valuable to the degree it advances the efficiency, effectiveness, and impact of the collaboration. Leverage should only be pursued based on the value propositions it will offer to the collaboration." (USAID, 2023b).

value of blended finance or private partnerships. Fortunately, the USG need not deal with this challenge in isolation as donor peers in the OECD's Development Assistance Committee also seek to improve evaluation practices in these areas (Andersen et al., 2021).

Lesson 3: Strategically Exploit Aid, Trade, and Investment as Force Multipliers for Global Development

Just over a decade ago, former U.S. Trade Representative Michael Froman argued that trade and investment are "force multipliers [for America's development policy] that can have an outsized impact on economic growth" in low- and middle-income countries (Silberman, 2013). However, in practice, there is relatively little synergy between these crucial tools of U.S. economic statecraft. The U.S. was the world's largest supplier of outbound FDI in 2022 and the second-largest trading nation. However, emerging markets, particularly least-developed countries and fragile states, attract minuscule amounts of this activity. American commercial banks have also fallen behind their peers in Europe, Japan, and the PRC as the partner of choice for foreign governments and private actors to raise project finance for private or public sector development projects.

There is minimal overlap between countries that receive American aid versus those that attract trade and investment. This is a missed opportunity. Grant-based assistance is limited and time-bound. It is harder to make the case that aid places countries on a trajectory to greater economic self-sufficiency. The U.S. private sector brings valuable expertise that could help countries build stronger private sector capacity. Mainline development agencies have specialized expertise in diagnosing and responding to systems-level challenges of governance or market failures that could remedy under-utilization of non-reciprocal tariff programs (i.e., when eligible countries fail to increase their exports under duty-free categories due to lack of technical capacity, resources, or business climate issues).

With additional resources and a clear mandate, trade capacity building ("aid for trade") programs, regional investment hubs, and embassy deal teams, among other tools, could be the bridge builders in helping the USG synchronize its aid, trade, and investment for greater effect. However, they must first graduate from their current opportunistic stance to a strategic posture in a subset of priority sectors aligned with existing trade agreements and private sector interest in the U.S. and counterpart nations.

Lesson 4: Reduce Byzantine Regulations and Duplicative Mechanisms that Deter Partnership

Public and private sector actors have different expectations regarding profitability and timing, which is natural and expected given their respective mandates. However, there is a far more insidious point of friction that deters collaboration between the two that could and should be remedied: procurement, budgeting, and reporting regulations that deter many would-be partners from engaging with the USG's development agenda (Garcia-Kilroy & Rudolph, 2017; Lawson, 2013; Beckers & Stegemann, 2021).

The Federal Acquisition Regulations were not only a common point of discontent for agency personnel (see Chapter 1), but they also repel private sector actors who view the paperwork and processes as not worth the effort for the reward. Agencies struggle to staff contracting officer roles, and private sector actors are impatient with inefficient and labor-intensive bureaucratic processes that are out of step with the speed at which the private sector is accustomed to operating. Promising initiatives like the DFC's Foreign Service Development Finance Fellows program (DFC, 2022a) and the USAID Assistance and Acquisition Innovation Lab (USAID, 2018a) are working to help cultivate deal-making and private sector engagement skills across units. Nevertheless, the USG still faces the perception that it moves at a glacial pace in all budgetary matters, and this is not entirely within an individual agency's control.

Interviewees identified the Section 653(a) budget process, named for the relevant section of the Foreign Assistance Act of 1961, as another point of friction that undercuts meaningful co-creation for agencies like USAID with potential private sector partners. Per the legislation, the Department of State must report how U.S. foreign assistance is allocated to countries and organizations by assistance category within 30 days of Congress appropriating funds (GAO, 2019). In practice, this involves a "multi-step process" requiring extensive coordination with USAID, the Office of Management and Budget, overseas embassies, and regional and sectoral bureaus to incorporate hundreds of instructions from Congress (ibid). Finally, as a growing number of agencies embrace new private sector engagement mechanisms, the USG will need to proactively ensure that the proliferation does not become its own source of confusion and discontent for would-be partners.

Lesson 5: Reconcile How Localization, Risk Tolerance, and Private Sector Engagement Work Together

Localization—putting local actors in the lead, strengthening local systems, and responding to local communities—is widely understood to be a signature theme for USAID under the Biden administration (Ingram & Reichle, 2023).[34] In some respects, this emphasis is not dissimilar to the MCC's long-standing principle of ensuring country ownership of projects, a view also espoused by the OECD's Development Assistance Committee. However, USAID's explicit commitment to redeploy 25 percent of agency funding to local organizations over the next four years and 50 percent toward projects that put local communities in the lead has raised questions with unclear answers.

Interviewees expressed concern that USAID leadership was expending valuable political capital in public speeches on a localization agenda that much of the U.S. private sector views with a range of skepticism to aversion. Some of this discontent stems from loss aversion: the policy mandate means that U.S. private sector entities will not have access to as much of the development assistance pie. There is a broader concern, though, that affects existing and prospective private sector partners who interpret "localization" as synonymous with "increased risk" that threatens profitability. This is a powerful disincentive for a large segment of the U.S. economy that defines profit-making as a critical (though not sole) measure of success. If agency leaders want to advance

[34] Even though USAID's 2023 policy framework document does not clearly list it as a cross-cutting objective, localization or some variation is referenced 98 times and is widely understood as one of USAID's key cross-theme policy objectives (Ingram and Reichle, 2023).

localization and private sector engagement in parallel, then they need to be more explicit in defining how these two objectives are not at cross-purposes with one another and, ideally, ways in which they could be mutually reinforcing.

Of course, the private sector is not the only one concerned about risk. Interviewees often stressed that USG agencies have a risk-intolerant culture at the project level. The MCC is credited with being somewhat more open to moderate risk-taking, likely aided by its board structure and a less adversarial relationship with Congress. Despite not having to maintain a credit rating, the DFC was viewed as too risk-averse in investing in middle-income countries at the expense of riskier markets. State and USAID had the unwelcome distinction of being identified as the most risk intolerant, perhaps reflecting a long track record of combative debates with Congressional appropriators over their budgets and mandates (see Chapter 1).

USG agencies and the private sector also frequently talk past one another when they discuss risk: public entities focus on transparency, procurement compliance, and project delivery, while the price sector looks at a spectrum of risk that could impact their commercial or financial position (Beckers & Stegemann, 2021). This dynamic might explain why interviewees expressed such discontent with USAID's risk tolerance, even though the agency has an established Risk Appetite Statement that provides clear guidelines for acceptable risk across all sectors and in a format the private sector can parse without undue burden (USAID, 2018b).[35]

[35] USAID cites Code 2 of Federal Regulations for the hard limits of Private Sector Engagement, yet also offers mitigating practices to help ensure there is no market distortion, including: "competitive approaches to access external support; looking for opportunities to generate impacts that benefit other businesses in the target sector or geography; and using financial, economic, and systems analysis to determine the impact on stakeholders" (USAID, 2018a). It also puts forward a philosophy that "market leaders are market-enablers" (ibid.). The first movers in developing economic sectors are often the ones that open up the market environment for other actors, whether by demonstrating what is possible or creating new demand among consumers and opportunities for ancillary services.

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Background Research - Chapter 3

Gates Forum II

Humanitarian-Development-Peace Nexus: Successes, Failures, and Lessons from U.S. Assistance in Crisis and Conflict

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AidData | Global Research Institute | William & Mary

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Executive Summary

Crises and conflict have become the new normal, and U.S. assistance must strike a balance: provide short-term relief to communities in distress, build long-term resilience to help countries tackle root causes of poverty and instability. This paper examines how the U.S. and other donors integrate humanitarian response, peacebuilding, and development assistance. U.S. agencies must translate the aspirations of the Global Fragility Act into practice, steward an assistance portfolio increasingly focused on emergency response, and navigate fatigue from involvement in protracted crises with no end in sight. We surface three cross-cutting lessons for consideration.

<u>A Long-Term Strategic Approach Grounded in Realism, Aimed at Resilience</u>: America's success metrics in delivering assistance in crisis and conflict should shift from how quickly money is spent to how well it moves countries one step closer to resilience. U.S. agencies need holistic, long-term plans paired with flexible and nimble financing to help countries transition between crisis response and long-term development. While a high volume of large-scale projects with hefty price tags sounds impressive, overly ambitious projects have proven hard to implement and diminished U.S. credibility in the eyes of counterparts in Haiti and Iraq. Instead, the U.S. should focus on promising less and delivering more to build local resilience.

<u>Coordination Begins at Home But Extends Far Beyond</u>: A coordination deficit exists across sectors, agencies, and donors that impedes effective U.S. assistance in crisis and conflict. Formal structures and rules of engagement are helpful but insufficient, as highlighted in Iraq and Haiti. Pre-existing relationships between local authorities and donor counterparts had an outsized influence on more successful coordination in contexts like Somalia and Nepal. In the Philippines, a clear-eyed appreciation for the roles and value-additions of different agencies, along with personnel on the ground who valued interagency collaboration and working adaptively to respond to local needs, aided coordination in the Philippines.

<u>Investing in the Capacity of Local Partners, Rather than Parallel Systems</u>: U.S. assistance has a colossal vulnerability: it channels minuscule funding through local governments, relying on NGOs and other implementers. This status quo provides no clear exit strategy that allows for a sustainable transition of financing and oversight of programs to counterparts. Insistence on parallel systems means that when the U.S. pulls back, investment and capacity vanish with it, as in Iraq, or never take root, as in Haiti. America has made more gains in contexts like

Nepal, Sierra Leone, and the Philippines, where patient investment in relationships and local capacity have helped civilian and military authorities better withstand and recover from crises or conflict.

Acronyms

Defense	U.S. Department of Defense
EAP	East Asia and Pacific
ECA	Europe and Central Asia
EU	European Union
HDP	Humanitarian, Development, Peace
LAC	Latin America and Caribbean
MENA	Middle East and North Africa
NGO	Non-governmental Organization
NSS	National Security Strategy
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PRC	People's Republic of China
SSA	Sub-Saharan Africa
State	U.S. Department of State
Treasury	U.S. Department of Treasury
UN	United Nations
U.S.	United States
USAID	U.S. Agency for International Development
USG	United States Government

This paper aims to answer three critical questions:

- How does the U.S. government deploy humanitarian assistance in crisis and conflict?
- To what extent does the U.S. government coordinate its efforts with other international and U.S. actors in the same theater of operation?
- In what ways does U.S. humanitarian assistance intersect and work synergistically with peacebuilding and longer-term development-focused efforts?

1. Introduction

The need to coordinate humanitarian, development, and peace efforts is evident in crisis and conflict contexts. Nevertheless, actors across these three dimensions have operated separately: funding and implementing their respective activities in relative silos. Increasingly, there are concerns that this status quo may be untenable. Crises have intensified and become more protracted (OECD, 2023). Disasters and non-state conflicts occur more frequently (GDAR, 2022; Palik et al., 2021). Together, these trends exacerbate the vulnerability of countries to shocks, particularly for the world's most fragile states (Fund for Peace, n.d.).[2]

In parallel, suppliers of short-term emergency relief and long-term development assistance are growing weary and disillusioned about the ability of their funding to make much difference in contexts that struggle to break free from the vicious cycle of poverty, conflict, and instability. This raises the possibility that traditional sources of foreign aid will become less predictable and lower in volume amid political pressures in donor countries. Moreover, the persistent question remains about balancing responsiveness in times of crisis with maintaining the long view needed to deploy all types of aid—humanitarian, development, and peacekeeping (HDP)—in ways that optimize results and increase the likelihood that countries can become more resilient.

In the United States, these considerations have been at the forefront of discussions about the passage and implementation of the Global Fragility Act. However, they are visible as an undercurrent of national security strategies across the last five presidential administrations. These dynamics are not unique to the U.S., though as the world's largest bilateral humanitarian assistance provider, the challenge feels particularly acute here.

[2] We refer to a fragile state as one in which there has been: "an erosion of a government's legitimate authority to control territory, use force, make collective decisions, provide public services, and interact with other states within the international community" (Fund for Peace, n.d.).

Close allies like Germany and France and leading multilateral venues like the United Nations (UN) and the Organization for Economic and Development (OECD) are grappling with similar questions, creating an opportunity to learn together. The HDP Nexus, conceptualized at the 2016 World Humanitarian Summit, provides a common framework across partners to discuss this problem set. The resulting agreement stated that the solution to protracted crises involves meeting immediate humanitarian needs and reducing risk and vulnerability (Nguya & Siddiqui, 2020).

This chapter uses the HDP Nexus as a backdrop to surface lessons for future U.S. assistance in crisis and conflict. To conduct this analysis, we employ a mixed methods approach: (i) in-depth background interviews with policymakers and practitioners; (ii) desk research on assistance strategies, policies, and practices; and (iii) quantitative data on state-directed official development assistance (ODA) efforts collected by AidData and reputable third-party data providers.

Section 2 provides an overview of the HDP Nexus from concept to operation. Section 3 follows the money: examining how the U.S. and other donors supply financial assistance in contexts of crisis and conflict. Section 4 assesses how the U.S. coordinates and delivers assistance in these contexts globally and with a deep-dive look at four illustrative case studies. Section 5 concludes by surfacing several forward-looking lessons and takeaways from this retrospective analysis.

2. Strategic Context: The HDP Nexus from Concept to Operation

The term HDP Nexus is relatively new, but the recognition that crisis and conflict are connected to long-term development has been an essential facet of discourse on international assistance since the 1960s. As the UN General Assembly in 1960 deliberated solutions to hunger in poorer countries, member nations asserted that while distributing surplus quantities of food in the short term was necessary, the "ultimate solution…lay in an effective speeding-up of economic development" (Jackson, n.d). The following year, the first "United Nations Development Decade" broadened beyond material needs and included improving social conditions (UN, n.d.). The 1970s explored additional linkages, as the World Food Conference in 1974 argued that the world food crisis also had implications for universal human rights (Jackson, n.d.).

Amid a proliferation of armed conflicts and civil wars, peace and security occupied a more prominent position in development discourse in the 1990s and the 2000s (Jackson, n.d.). The 1997 UN Agenda for Development laid the groundwork for a multidimensional view of "peace, economic growth, environmental protection, social justice, and democracy." With the adoption of the Millennium Development Goals, the UN identified peacebuilding as crucial to ending conflict but instrumental to helping countries achieve global goals (MDG Fund, n.d.). With the arrival of the 2015 UN Sustainable Development Goals, the growing appreciation of the role of peace in facilitating long-term development and resilience was evident in the adoption of goal 16, promoting peaceful and inclusive societies for sustainable development (Lindborg, 2017).

The 2010s saw the rise of terms such as fragility, risk, and resilience to explain the need to help countries with weak political institutions build internal capacity to withstand shocks, reduce vulnerability, and maintain hard-won development progress. In 2011, the World Bank's World Development Report highlighted that investments in long-term development activities (e.g., access to justice and job creation) were critical for fragile states to break out of vicious cycles of conflict (Lindborg, 2017). The International Dialogue on Peacebuilding and State Building similarly called for donors to take the long view, considering inclusion, equity, justice, and livelihoods critical for fragile states to transition from conflict to peace (ibid).

2.1 The Concept: Connecting Symptoms with Root Causes

The HDP Nexus concept emerged from the disaster relief field. Aid workers were frustrated at responding to symptoms instead of addressing the root causes of disasters. Perhaps because of its origins in the humanitarian sector rather than the larger international assistance community, there is no common understanding of its nature, scope, and operational relevance. The shift in emphasis from disaster relief to applications in peace and security contexts added to the concept's ambiguity. At times, peace refers to security concerns and violence reduction. At other times, it refers to a broader concept of stable institutions. Here, we use a narrow definition of security related to personal and state safety, leaving areas such as food (in)security as part of humanitarian or development aid depending on the context.

The terminology has evolved rapidly. Initially, the terms emphasized disaster: "linking relief, rehabilitation, and development", the "emergency-development continuum," or the "disaster-development continuum." More recently, the term HDP Nexus (or Triple Nexus) has been used by the UN, its agencies, and the OECD. The United States government (USG) has a long history of considering "relief-development coherence" and "stabilization" as an important transition between conflict and development, as well as understanding the root causes of "fragility" to move from crisis response to preventive, long-term resilience building. It more recently adopted the term "HDP coherence," though this is less prominent than the other terms.

2.1 The Impetus: The Need for a New Way of Working

At the 2016 World Humanitarian Summit, governments and organizations reflected on a new normal: the volume, cost, and length of crises were expanding in ways that strain development and humanitarian-focused actors alike. This led to a renewed emphasis on humanitarian and development actors working with local counterparts towards collective outcomes: "reducing risk and vulnerability…as installments toward [achieving] the Sustainable Development Goals" (OCHA, 2017). By implication, participants knew that the community would need to "overcome long-standing attitudinal, institutional, and funding obstacles" (ibid). To this end, they embraced a *New Way of Working,* which emphasized improved coherence, complementarity, and closer alignment, where appropriate, in four areas: (i) analysis, (ii) planning and programming, (iii) leadership and coordination, and (iv) financing.

Despite the agreement around the concept, the challenge remains to practically operationalize this approach institutionally and financially when it is known that coordination often depends on informal relationships between actors rather than formal channels. Moreover, the different actors do not necessarily have the same immediate priorities or incentives. For example, humanitarian providers have an immediate goal to fulfill humanitarian needs, which may or may not be at odds with the government, particularly in conflict. Multilateral development banks, on the other hand, see the recipient governments primarily as clients. Bilateral actors, including but not limited to the U.S., each have foreign policy interests that influence their priorities, preferences, and actions.

2.2 The Practice: OECD Recommendations on Operationalizing the HDP Nexus

The OECD developed a 2017 *Humanitarian Development Coherence Guideline* to support the Development Assistance Committee members in translating the outcomes of the World Humanitarian Summit into a framework for action. In 2019, the *Recommendations on the Humanitarian-Development-Peace Nexus* was adopted by member countries at their Senior Level Meeting. The OECD developed the recommendations with its members and multilateral and civil society partners. The OECD's emphasis on advancing the HDP Nexus in the work of members was likely influenced by the sobering reality that more countries were experiencing violent conflict in 2016 than the last three decades, and nearly half of people living in extreme poverty lived in fragile states. The recommendations addressed three dimensions (see Table 1): coordination, programming, and financing (OECD, 2022a).

Table 1. OECD Recommendations on the HDP Nexus

Coordination
• Analyze root causes and structural drivers of conflict; • Channel resourcing for empowered leadership to coordinate across the HDP continuum; • Use political and other approaches to prevent crises, resolve conflicts, and build peace
Programming
• Prioritize prevention, mediation, peacebuilding, invest in development, • Ensure humanitarian needs continue to be met; • Tackle exclusion and promote gender equality by putting people at the center; • Ensure activities are conflict-sensitive, do not harm, and maximize positive consequences; • Align joined-up programming with the risk environment; • Strengthen national and local capacities; • Invest in learning and evidence across HDP actions.
Financing
• Develop evidence-based HDP financing strategies at all levels; • Layer and sequence the most appropriate financing flows; • Use predictable, flexible, multi-year financing whenever possible

In 2022, the OECD released an Interim Progress Review to assess how its members implemented the HDP recommendations. The Interim Progress Review identified areas of progress and bottlenecks. It proposed nine areas where its members could focus attention in the future: (i) adopt best-fit coordination in every context; (ii) implement inclusive financing strategies; (iii) promote HDP Nexus literacy; (iv) empower leadership for cost-effective coordination; (v) use financing to enable and incentivize desired behaviors; (vi) integrate political engagement within the collective approach; (vii) invest in national and local capacities and systems; (viii) use the HDP Nexus to integrate other policy priorities; and (ix) enlarge the roundtable of stakeholders.

To date, the OECD recommendations remain the most widely used set of principles around the HDP Nexus, adopted by its members, UN agencies, and multilateral development banks (OECD, 2022b). These strategic-level discussions about how to work across the HDP Nexus are particularly relevant to the United States as a long-standing member and leader within the OECD and a comparatively large financing supplier across the nexus.

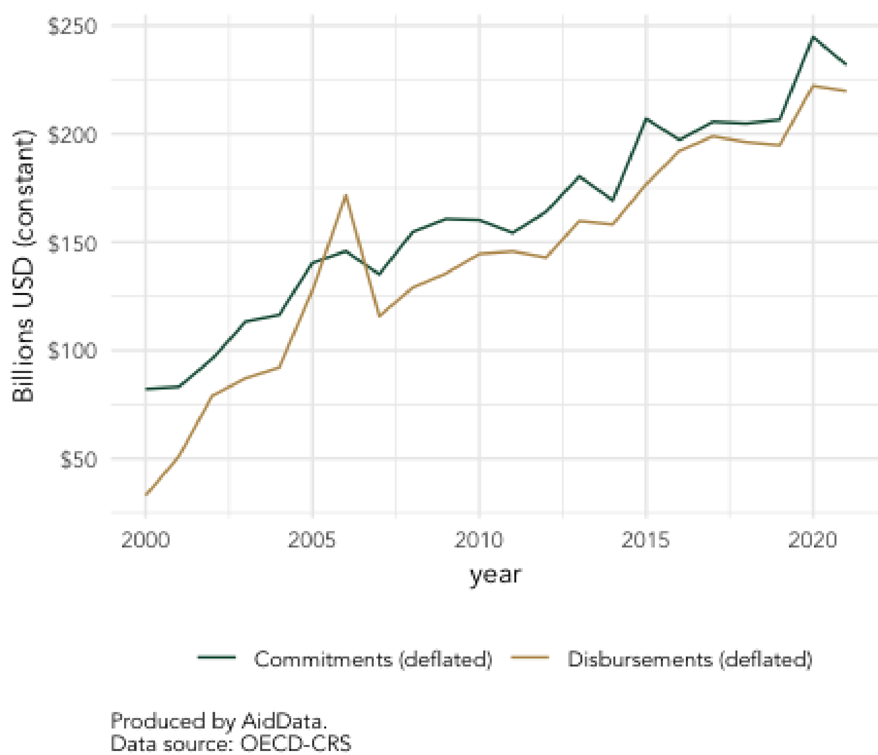
Individual USG agencies have worked to translate the principles of HDP Nexus into action. The U.S. Agency for International Development (USAID), for example, issued a series of documents for this purpose, including a toolkit for practitioners, a toolkit for donors, and a note for USAID implementing partners (USAID 2022a, 2022b, and 2022c). These documents function as roadmaps and include decision-making tools, institutional policies and procedures, and financing models recommended by USAID to support HDP coherence. However, as discussed in Section 4, most HDP Nexus adjacent policy and legislative frameworks in the U.S. are framed around “fragility-to-resilience” (Ingram & Papoulidis, 2017).

Other donors have made efforts to incorporate the HDP Nexus in their strategies. For example, the World Bank Group highlighted changes in the ways it works in settings of fragility, conflict, and violence in its strategy for 2020-2025 (World Bank, 2020). Some highlights of this strategy include the acknowledgment that its approach has evolved from a focus on post-conflict reconstruction to addressing challenges across the spectrum of fragility, the scaling up of volume and types of financial support to those countries, and the recognition of the private sector at the center of a sustainable development model in these settings.

3. Operational Realities: U.S. and International HDP Financing by the Numbers

The constant calls for additional aid to fill in the growing needs across the globe may lead to the impression that aid has been stagnant, but that is not the case. ODA[3] has been on a steady path of growth over the past several decades and reached its peak in 2020 with US$245 billion in commitments (Figure 1), according to data reported by donors to the OECD's Creditor Reporting System database. However, the rate of growth is far from that needed to close the financing gap to reach global agendas such as the Sustainable Development Goals, which was estimated at US$3.9 trillion in 2020 (OECD, 2023). The U.S. plays an outsized role in crisis contexts because it is and has consistently been the single largest provider of humanitarian aid globally and also due to the leadership role it often plays in these scenarios.

Figure 1. Official Development Assistance From All Donors Over Time (2000-2021)



[3] As defined by the OECD DAC (n.d.), "ODA is government aid that promotes and specifically targets the economic development and welfare of developing countries.

3.1 A Global View of HDP Financing Across Donors

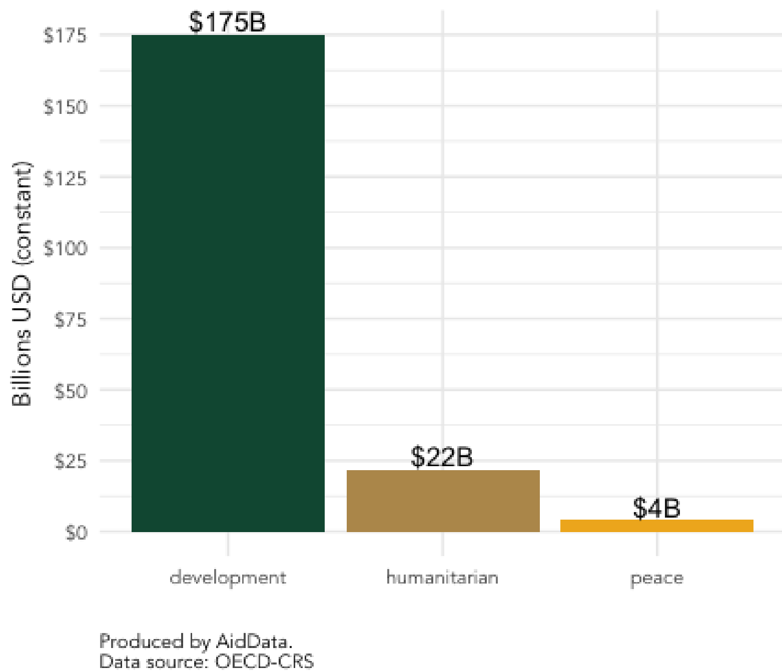
Between 2012 and 2021, ODA was concentrated in long-term developmental aid (87 percent),[4] with a small subset dedicated to humanitarian (11 percent) or peace (2 percent) purposes, on average. We define each category based on OECD sectors. Humanitarian aid includes projects classified under "humanitarian aid" and "emergency response." Peace aid comprises the "conflict, peace, and security" sector. Long-term developmental aid includes all the remaining sectors.

This translates into a yearly average across OECD-reporting donors of US$4 billion to peace efforts, US$22 billion to humanitarian efforts, and US$175 billion to development (Figure 2).[5] The significant difference across the three streams likely reflects the reality that while all low and middle-income countries need long-term development aid to a certain degree, humanitarian aid or peace aid are typically only allocated to countries in settings of fragility or conflict. Moreover, crises can look very different across countries. Peace aid is more likely distributed in conflict contexts in least-developed countries. In contrast, middle and upper-middle-income countries are more likely to be able to use the fungibility of money to fund emergency needs, but that would lead to gaps elsewhere, which may or may not be filled by international donors.

[4] For example, this could include everything from infrastructure and governance to the social sectors (education, health) and environment.

[5] It is important to note that this breakdown is based upon AidData's crosswalk of the sectoral focus of activities reported by donors to the corresponding buckets of humanitarian, development, or peace efforts.

Figure 2. Average Annual Official Development Assistance by HDP Sector (2012- 2021)



The share of ODA dedicated to humanitarian efforts has increased over the past decade, from 7 percent in 2012 to 15 percent by 2021, likely in response to the growing frequency of crises. Nevertheless, the relatively small share of humanitarian and peace-focused funding reinforces the importance of closer engagement and coordination with long-term development providers early on. The fact that the humanitarian sector has primarily pushed the concept and discussions around the HDP Nexus is a major stumbling block in moving from lip service to daily practice, ensuring buy-in and engagement from the security and development sectors.

3.2 United States: A Top Donor Across the HDP Nexus

The U.S. has a significant role in ensuring coherence and coordination across the humanitarian-peace-development nexus. Over the past two decades, it has consistently been the largest provider of humanitarian aid. The U.S. primarily drove the global increase in humanitarian aid in recent years. As a case in point, humanitarian-focused aid from the U.S. government (USG) grew two-fold from US$8.2 billion in 2016 to US$15.4 billion by 2021. Moreover, humanitarian aid is sometimes an “easier sell” to American policymakers and reaches bipartisan support with greater ease.

Figure 3. United States Official Development Assistance by HDP - dollars (2000-2021)

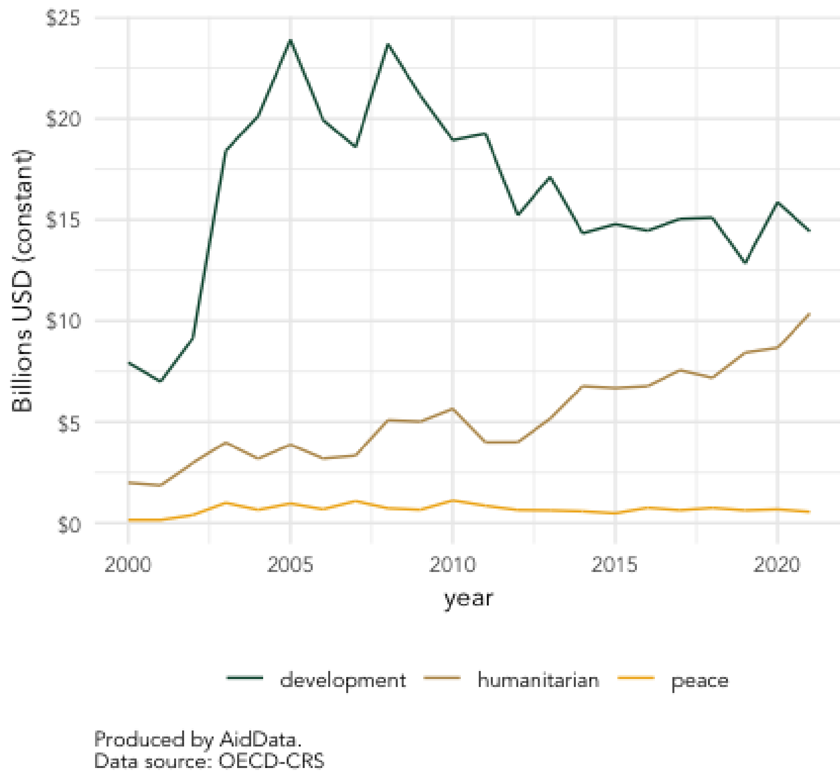
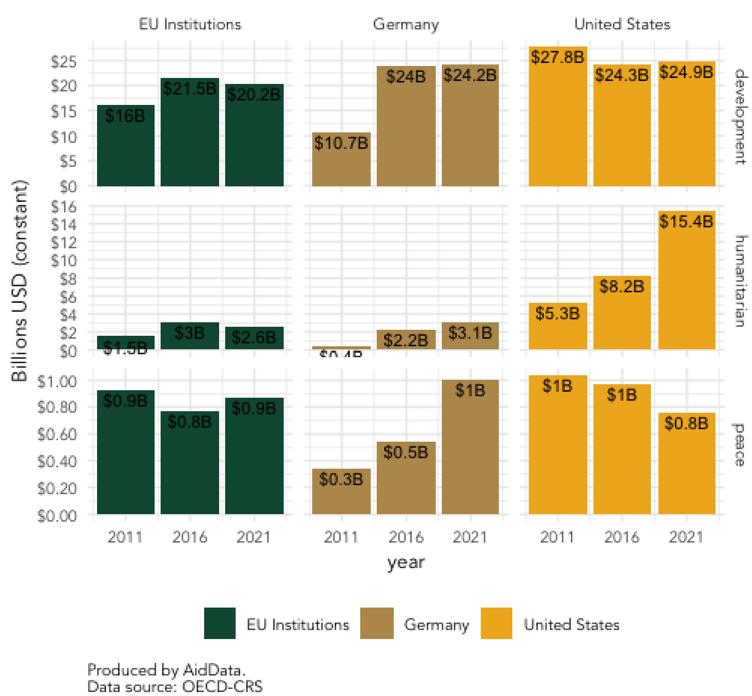


Figure 4. Select Donors' Official Development Assistance to HDP sectors Over Time (2011, 2016, and 2021)

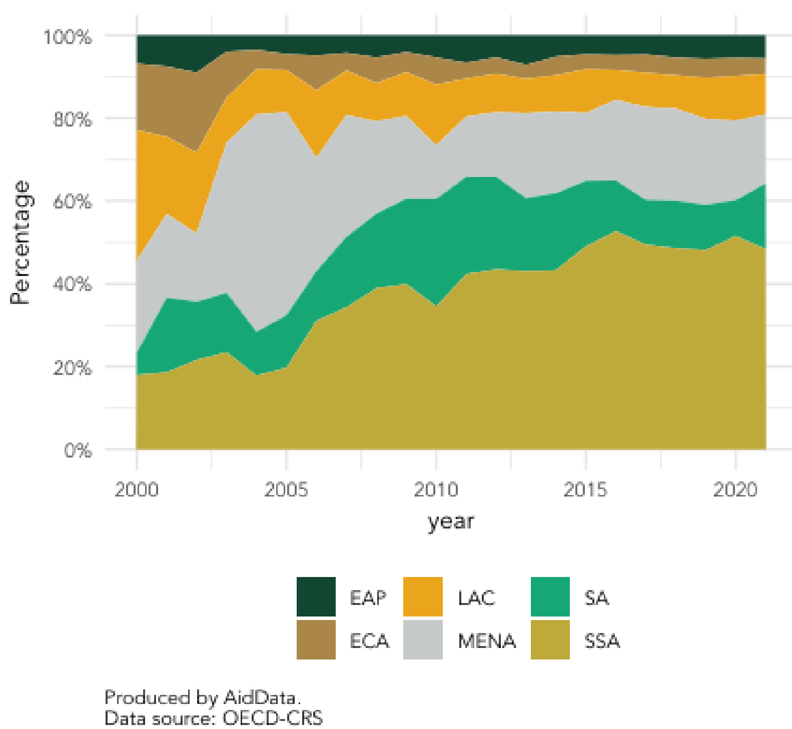


Notably, the U.S. is not only a huge player in the humanitarian field, but it is also a top supplier of ODA focused on long-term development assistance and peacebuilding. Figure 3 shows how the U.S. compares to other leading aid suppliers like Germany and the European Union (EU). The U.S. is typically the first or second largest provider of developmental aid (with Germany) and among the three largest providers of peacekeeping aid (with Germany and the EU).

The apparent prioritization of long-term development aid could partly reflect the data reporting system and how narrowly we define humanitarian aid or peace aid. Nevertheless, the drivers may be more substantial and linked to the nature of these different types of aid. For example, development aid goes through a lengthier budget approval process, while humanitarian and peace aid is urgent.

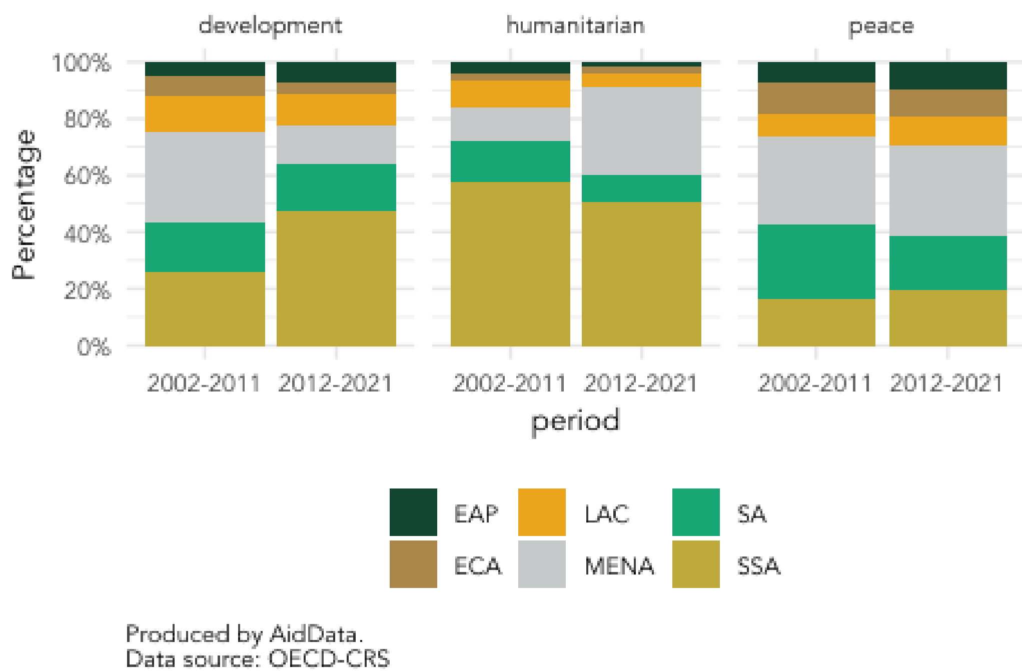
Over the 21st century, U.S. foreign assistance has progressively shifted away from the Middle East and North Africa (MENA) region, where it concentrated most of the investment in the early 2000s, and towards Sub-Saharan Africa (SSA). This geographic pivot reflects more extensive commitments to Iraq early on since 2003 that have gradually reduced until the 2010s (Figure 5). In 2021, nearly half of the USG's ODA was directed to SSA. Most of this increase was distributed across the region. However, some countries stand out in receiving an outsized increase in ODA from the U.S., namely Ethiopia, Nigeria, and the Democratic Republic of Congo.

Figure 5. United States Official Development Assistance by Region, Percentage (2000-2021)



It would be tempting to assume that the pivot from the Middle East and North Africa to SSA explains why we see a decline in peace-focused assistance (a traditional U.S. emphasis in its engagements in the Middle East) alongside the uptick in humanitarian assistance dollars over the same period (a prominent feature in U.S. engagements in Africa). Counter to expectation, this does not appear to be the case. Taking a closer look at the two regions, SSA has seen a decline in its share of humanitarian aid from the U.S., while the Middle East and North Africa saw an increase. The growth of long-term development aid was the more consequential trend that catapulted SSA ahead of the Middle East and North Africa as a top recipient of U.S. assistance. Also notable is the slight decrease in the share of ODA going to Europe and Central Asia (ECA) across all HDP sectors (Figure 6).

Figure 6. United States Official Development Assistance by Region and HDP Sector



4. Delivering Along the HDP: Key Players, Approaches, and Case Studies

There are many players engaged across the HDP Nexus, both within and outside of the USG. The relevant USG actors include the Department of State (State), USAID, the Department of Defense (Defense), and–in some cases–private sector implementers. State is at the forefront regarding diplomatic negotiations with key counterparts; Defense is often directly engaged in crises with a security or military component. In most cases, USAID's role is more of a service deliverer than a negotiator. However, that often varies according to the individual leadership in-country offices.

In the recipient (or counterpart) country, there may also be multiple players: national government agencies (if there is a functioning public sector), corresponding local government offices (mainly if the crisis or conflict is heavily concentrated in a particular subnational hotspot), along with local civil society and private sector actors, depending on the specific case. Traditionally, the national government was seen as the leading actor. However, increasingly, those familiar with fragile state contexts observe a trend towards greater fragmentation with more and more actors involved. This adds complexity to the coordination challenges. Subnational authorities or private sector actors in specific regions of a country play an outsized role where the central government has weak capacity or its political legitimacy is contested.

4.1 Other External Players in Crisis and Conflict

Players outside the USG include multilaterals–particularly the UN and multilateral development banks, other bilateral development partners, non-governmental organizations (NGOs), and private sector actors. Between development partners, the UN is often best positioned to be a convener and a neutral player in a crisis context. However, there are cases in which the USG takes the role of the convener since it can be seen as a bilateral with "skin in the game" in many scenarios. The World Bank and International Monetary Fund traditionally took more of a backseat role in contexts of crisis or conflict, as they often stop engagement with a country once the instability level crosses a threshold. However, that has been changing recently, as the World Bank is engaging more with crisis countries (e.g., West Africa) and making combatting fragility more central in its work. Other bilaterals play different roles according to the recipient country.

Furthermore, there is increasing participation of non-traditional development actors. The People's Republic of China (PRC) and Russia are increasingly involved in crisis and conflict, along with longer-term development. The PRC is typically seen as more heavily focused on long-term development and commercial engagement but has played prominent roles in supplying emergency relief in far-ranging crises from earthquake response to COVID-19. It also has been building deeper relationships with foreign militaries, border patrols, and law enforcement through training, technical assistance, finance, and in-kind support. Less is known about its use of private military and security contractors. However, these are reportedly an increasing phenomenon to help the PRC and counterpart governments secure investments along the Belt and Road, mainly when these are located in areas of civil or political unrest.

The Kremlin is seen as comparatively less involved in humanitarian assistance and long-term development but is an essential player in the security sector, for better or worse. It has been supplying peacekeepers in frozen and hot conflict zones throughout Eastern Europe and Eurasia. It has long served as a spoiler in channeling financing and training to separatist groups in disputed territories in that same region, well before the invasion of Ukraine in February 2022 (Custer et al., 2023).

Farther afield, the Kremlin's involvement has been more through private military and security contractors such as the Wagner Group in countries like Mali and the Central African Republic. Ostensibly, the Kremlin's involvement in these contexts is more of a wildcard, sometimes with the potential to alleviate instability and other times inflaming it, depending upon its interests and relationship with a country's political leadership. The Kremlin's involvement can also have cascading repercussions for other development actors, such as the case in Mali, where Russia was seen as having exploited France's exit from the country to tip the scale in its favor.

4.2 The Role and Approach of the United States in Crisis and Conflict

Even before the events of September 11th, 2001, President Bill Clinton argued in the 1999 national security strategy that weak or failed states represented a clear and present danger with far-reaching ripple effects (e.g., mass migration, famine, disease, violence) affecting regional security and America's interests (NSS, 1999). This early warning became impossible for U.S. policymakers to ignore after the 2001 terrorist attacks. President George W. Bush's two national security strategies highlighted weak or failed states as among the top dangers to U.S. national interests because of their susceptibility to "exploitation by terrorists, tyrants, and international criminals" (NSS, 2006). The congressionally-mandated 9/11 Commission reflected a bipartisan consensus that deterring terrorism required more than combatting symptoms but addressing root causes of extremism (e.g., inequality, poverty, isolation) (USIP, 2019). President Barack Obama continued this refrain with different phrasing in his 2015 NSS, viewing "fragile and conflict-affected states" as among the top risks to America's national interests (NSS, 2015).

By the late 2010s, U.S. policymakers increasingly agreed that fragility was a problem that required not only a reactive but a preventive strategy to resolve (USIP, 2019). However, what to do about it was less clear: a 2016 assessment by the Fragility Study Group underscored this point, saying that "across the USG, there is no clear or shared view of why, how, and when to engage with fragile states" (Burns et al., 2016). Congress agreed, instigating the formation of a "Task Force on Extremism in Fragile States'' in 2017, tasked with defining how the U.S. should help countries build resilience to "resist extremism on their own" (USIP, 2019).

In its final report, the Task Force put forward three recommendations: (i) a strategy and shared framework to prevent underlying causes of extremism as a "political and ideological problem" developed with interagency and in-country partners; (ii) a "strategic prevention initiative" aligning resources and operations to operationalize the joint strategy, with an emphasis on interagency coordination and decentralized execution at the embassy level; and (iii) a "partnership development fund" for agencies, allies, and the private sector to pool resources and operational efforts in support of the new prevention strategy (USIP, 2019).

In parallel, the executive branch under the administration of President Donald Trump conducted a Stabilization Assistance Review in a coordinated effort of State, Defense, and USAID. However, observers familiar with the process described it as being driven from within agencies by career bureaucrats beginning in 2017 rather than pushed from the top down by political appointees. The aim was to articulate a "new framework to best leverage [U.S.] diplomatic engagement, defense, and foreign assistance to stabilize conflict-affected areas" (SAR, 2018).

Like the Task Force report, the Stabilization Assistance Review identified the need for a "singular, agreed-upon strategic approach" to stabilization across the interagency, defined it as a transitional step between immediate crisis and long-term development,[6] and proposed a 7-part framework to operationalize it (ibid). Nevertheless, without high-level political support, institutionalized authorities, and demarcated resources to work differently, the Stabilization Assistance Review lacked teeth and staying power.

One of the most consequential steps in operationalizing the HDP Nexus within U.S. assistance efforts was the passage of the *Global Fragility Act*,[7] passed with bipartisan support in Congress and signed into law in 2019. The *Global Fragility Act* is imperfect but integrated many ideas from the Task Force on Extremism in

[6] Specifically, the Stabilization Assistance Review (2018) defined stabilization as: "a political endeavor involving an integrated civilian-military process to create conditions where locally legitimate authorities and systems can peaceably manage conflict and prevent a resurgence of violence." It further explained that stabilization should be understood to be "transitional in nature" and includes efforts to "establish civil security, provide access to dispute resolution, deliver targeted basic services, and establish a foundation for the return of displaced people and longer term development" (ibid).

[7] The *Global Fragility Act* alludes to fragility as "a country's exposure to conflict and atrocity risks, overall levels of violence, and vulnerability to natural and other human-caused disasters."

Fragile States and the Stabilization Assistance Review. Taking the long view, it sought to deter root causes of conflict and extremism before they occur rather than wait for them to arise, providing funding to do so (Graff, 2023).

The Act provided for funding of US$1.15 billion envisioned for the first five years, including up to US$200 million a year for a Prevention and Stabilization Fund[8] and US$30 million a year for a complex Crisis Fund (Yayboke et al., 2021). It mandated an interagency approach among key USG players (e.g., USAID, State, Defense, Treasury, among others). The *Global Fragility Act* also emphasizes the importance of flexibility, learning, and adaptive management to prevent violent conflict in dynamic contests (ibid).

However, the *Global Fragility Act* is off to a slow start. The Trump administration did not submit a strategy detailing how it would implement the law until December 2020, choosing not to name the five countries or regions to be included in the pilots (Welsh, 2022). It was not until April 2022 that the Biden administration announced a "prologue" to the 2020 Global Fragility Act strategy and selected four countries (e.g., Haiti, Libya, Mozambique, Papua New Guinea) and the coastal West Africa region (inclusive of Benin, Côte d'Ivoire, Ghana, Guinea and Togo) to be included in the first phase (DoS, 2022). The 10-year implementation plans for each participating country and region were not released until February/March 2023, nearly another year later (Graff, 2023).

These delays may be partly attributed to the need to navigate a complex political transition between two administrations but also signal the daunting size of the task. Thinking holistically and comprehensively about the long-term causes of conflict requires different skills and the involvement of greater numbers of stakeholders than before—across the interagency and within the pilot countries (Graff, 2023). The high degree of consultation with groups affected by or involved in the conflict throughout the development of the implementation plans is laudable. It will be critical to their ultimate success, even at the expense of time (ibid). Moreover, the *Global Fragility Act* necessitates a profound culture shift among agencies and partners used to rapidly mobilizing and deploying resources to respond quickly to an emergent crisis, as opposed to incremental, sustained change that is "measured not in days and weeks, but in years and generations" (Mines & Devia-Valbuena, 2022).

Nevertheless, additional questions remain. How quickly will U.S. embassies be able to access and spend money to drive forward progress against the *Global Fragility Act* plans? To what extent will the activities undertaken via the implementation plans represent new and innovative thinking about the nature of the problem versus a repackaging of old ideas and practices? In tackling underlying drivers of conflict and instability, how will projects balance the need for strategic patience in waiting for long-run, slow-burn projects to bear fruit

[8] Congress appropriated US$135 million for FY2023 for the Prevention and Stabilization Fund to be divided up among the relevant field missions.

with the pressure to demonstrate measurable progress to Congressional and executive branch leaders back in Washington?

4.3 Case studies: Four Profiles of U.S. Assistance in Crisis and Conflict

In this section, we look into four countries in different contexts of fragility or conflict in the 2000s: Haiti, Nepal, Sierra Leone, and Iraq. Haiti was selected as an example where there had been continuous engagement of the international community, compounded by post-earthquake response, but where development failed to take off, leading to severe donor fatigue. Nepal was picked as a post-conflict country, as it overcame a civil war from 1996 to 2006 and one prone to natural disasters. Sierra Leone, another post-conflict country, represents a different case in which the U.S. did not take the lead in post-conflict recovery and reconstruction, given the countries' closer ties to the UK as a member of the Commonwealth. Lastly, Iraq was selected as a case where the U.S. had a direct military engagement.

Haiti: A Failed State and NGO-land Navigate Intersecting Crises

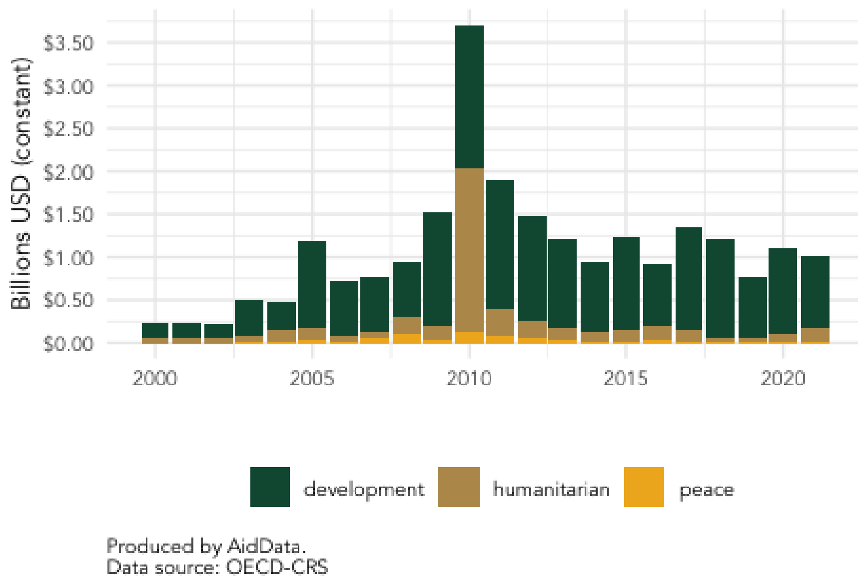
Haiti is a country grappling with "intersecting crises": a battered economy from COVID-19, fuel price spikes after Russia's 2022 invasion of Ukraine, successive natural disasters, a dysfunctional healthcare system, and a political leadership vacuum (Mines & Devia-Valbuena, 2022). Food insecurity and armed kidnappings are on the rise. At the same time, the government has yet to recover from the dissolution of its parliament and the removal of justices under the administration of President Jovenel Moïse, who was assassinated in July 2021 (ibid). Susceptible to natural disasters, Nepal has minimal resilience to withstand and respond to shocks (Seelke & Rios, 2023).

The combination of these factors has made Haiti the 11th most fragile state in the world, and questions about the government's legitimacy and capacity to deliver development for its people persist (Fund for Peace, 2022; Seelke & Rios, 2023). By October 2022, the political and security situation had deteriorated to the point that Acting Prime Minister Ariel Henry requested that the UN send a foreign security force to "reestablish control and enable humanitarian aid deliveries" that had been disrupted by gang blockades (Seelke & Rios, 2023).

Rather than a new phenomenon, the roots of Haiti's vulnerability date far back in a history filled with political, economic, and social instability. However, the 2010 earthquake brought new devastation to the Caribbean country, straining the government's capacity to manage rising humanitarian needs. With a magnitude of 7.2, the earthquake's epicenter hit 15 miles southwest of the capital, Port-au-Prince, causing an estimated death toll of 316,000, displacing 1.3 million people, incurring damages between US$7.8 billion and US$8.5 billion, and severely impairing the Haitian government's capacity to operate.

In the aftermath, Haiti received international aid to support its recovery and reconstruction efforts. In 2010 alone, Haiti attracted nearly US$3.8 billion in ODA, compared with a yearly average of roughly US$680 million in the ten years prior (Figure 7). Since then, ODA to Haiti has remained elevated, averaging nearly US$1.2 billion annually. The U.S. was among the largest donors to Haiti in the aftermath of the earthquake, and now it disbursed US$1 billion in fiscal year 2010 and US$301.8 million in 2022 (FA.gov).

Figure 7. Global Official Development Assistance to Haiti by the HDP sector



USAID was the lead agency responsible for much of the U.S. post-earthquake response in Haiti, with a significant emphasis on reconstructing the country's decimated health, power, transportation facilities, and public housing (GAO, 2023; FA.gov). Between 2010 and 2020, USAID bankrolled US$2.3 billion in post-earthquake infrastructure activities in Haiti (GAO, 2023). However, the agency's experiences underscore the difficulty of assisting in crisis and conflict contexts. In a 2023 review of USAID's infrastructure projects, the Government Accountability Office cited overly rosy cost and time projections, inadequate mission staffing, lack of strong local partners, inadequate systems to track and assess project progress, and limited government capacity as significant impediments to success (GAO, 2023).[9]

These factors meant that many USAID-funded infrastructure activities in Haiti were chronically over budget, delayed, and vulnerable to cancellation or suspension due to insufficient funds (ibid). USAID's greatest difficulty appeared

[9] For example, the GAO (2023) found that USAID only completed half of the major post-earthquake infrastructure activities reviewed (4 of 8), reduced its plan to build 4,000 houses back to less than 1,000 years, and canceled several activities such as a planned port. The most egregious example is the ongoing construction of the General Hospital in Port-au-Prince financed jointly by the governments of France, the U.S., and Haiti, which is 10 years delayed and US$29 billion over budget, as of 2023 (Charles, 2023).

in big-ticket construction activities, as it performed relatively better in delivering more health and agriculture projects (Charles, 2023).

In parallel, State focused its funding on Haiti to strengthen the Haitian National Police Force (Seelke & Rios, 2023). The Government Accountability Office (2023) reports that the efforts of State's Bureau of International Narcotics and Law Enforcement Affairs have "achieved mixed results" due to an overemphasis on outputs (e.g., trainings delivered) rather than outcomes (e.g., improved investigation capacity). It may also be the case that State's focus on counternarcotics, the prison system, and professional management of the police force were insufficient (ibid). The steady uptick in gang violence, crime, and kidnappings in Haiti since the earthquake is a powerful justification for skepticism as to the efficacy of these efforts.

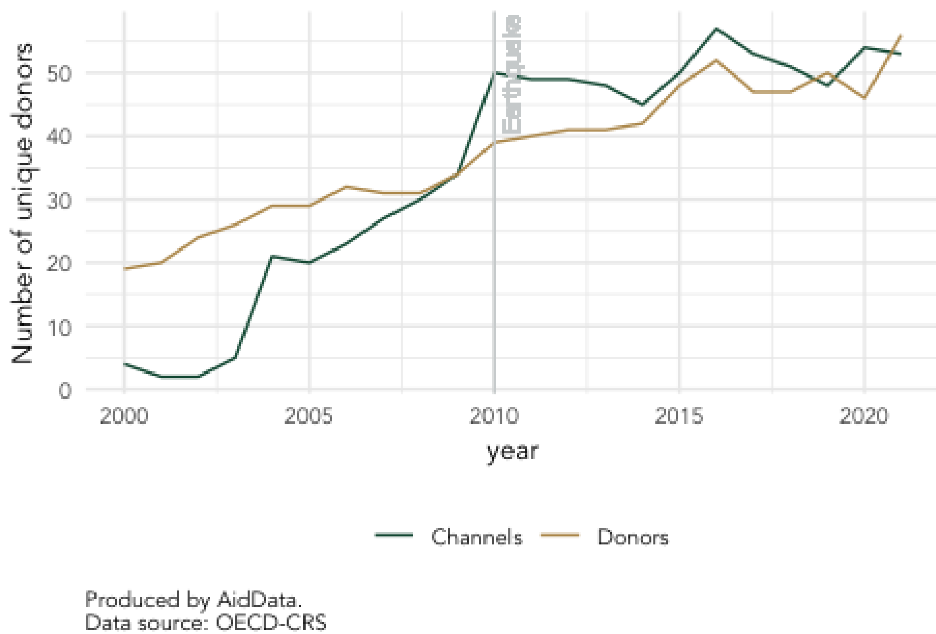
Due to limited government capacity, aid to Haiti had primarily been channeled through NGOs, even before 2010. This was expedient and understandable in light of the desire to ensure that Haitians got timely access to life-saving and life-enhancing assistance they could not rely on their government to provide. However, this short-term mindset had the unintended longer-term consequence of perpetuating weak public sector institutions and setting up parallel NGO-run systems that can only be sustained by donor financing. For this reason, Haiti has been given the unfortunate moniker of "Republic of NGOs" (Ramachandran, 2012).

Against this inauspicious backdrop, it is unsurprising to see that over a decade following the 2010 earthquake, Haiti's governing institutions remain feeble, and there is a vacuum in local political leadership, such that there is little domestic pressure to compel international donors to coordinate their efforts, at least in a formal sense. As a result, what little coordination is done on an *ad hoc* basis. In the past two decades, the number of donors active in Haiti has steadily increased—from under 20 in 2000 to 56 as of 2021 (Figure 8). An informal "Core Group" of leading donors (including representatives from the U.S., Brazil, Canada, France, Germany, Spain, the European Union, the Organization of American States, and the UN) has "shaped international responses to key events in Haiti" since 2004 (Seelke & Rios, 2023).

In 2010, an Interim Haiti Recovery Commission was launched with great fanfare at a conference of donors in March 2010. The Commission had high-level leadership in co-chairs Jean Bellerive (Prime Minister of Haiti) and former U.S. President Bill Clinton, and a stated commitment to work with local partners to 'build back better' (UN, n.d.; Abdessamad, 2023). Nevertheless, it soon became apparent that not all was going well, as "less than 2 percent of promised reconstruction aid" was delivered by July 2010 (UN, 2010). Eighteen months later, the commission ended as abruptly as it started, with an "ambitious array of projects…few finished or financed" and insufficient political buy-in to extend its mandate (NY Times, 2012). Contrary to donors' stated commitments to work through local partners and systems, in the first two years of the crisis response, the percentage of aid disbursed through the Haitian government and non-governmental actors was paltry: less than 10 percent and 1 percent, respectively (UN, n.d.).

While not unique to Haiti, fragmentation among donors and an even larger number of implementers was particularly detrimental. Despite the large volume of assistance and the number of players involved, there has been limited progress in helping Haiti transition from a protracted political and humanitarian crisis to a more stable trajectory toward long-term development. To make matters worse, international donors have become fatigued by the fruitless exercise of spending more money with little to show for it, exacerbated by incoherence in the assistance community and unstable domestic political situation (including the assassination of the sitting president, Jovenel Moïse, in 2021).

Figure 8. Number of unique donors and channels in Haiti by year (2000-2021)



Haiti is often cited as an example of failure in international assistance efforts, plagued by a "short-term vision and fleeting political support" (Mines & Devia-Valbuena, 2022). Haitians' response to UN efforts has been mixed: the peacekeeping mission from 2004 to 2017 was credited with restoring temporary stability but reviled for its role in spreading cholera and rampant sexual and human rights abuses (Seelke & Rios, 2023). Since 2019, the UN Integrated Office in Haiti has been charged with assisting the government in restoring stability, security, and the rule of law (ibid); however, its effectiveness has not been helped by rotations of UN humanitarian missions on "six-month mandates" that promote a short-term mindset (Mines & Devia-Valbuena, 2022).

Nevertheless, it remains a priority for donors. Haiti was the first country with a joined-up country planning process across the HDP Nexus in 2015. It has been included as a pilot country for the UN's New Way of Working and on the EU's Nexus pilot initiative. In those, the thematic areas of the pilot are climate resilience, peace, human security, food security, and economic resilience. The U.S. Congress passed the *Haiti Development, Accountability, and Institutional Transparency Act* in 2022, which mandated that America would "support sustainable rebuilding and development" and work in ways that "recognize Haitian independence" and promote legitimate democratic institutions (Seelke & Rios 2023). Agencies were required to monitor and report on their progress (ibid).

In 2022, the USG announced Haiti as one of the selected partner countries to pilot the development of a longer-term ten-year strategy to prevent conflict and promote stability under the first implementation phase of the *Global Fragility Act* (DoS, 2022). The 10-year implementation plan for Haiti released earlier this year emphasizes making the government more "responsive to Haitians' basic needs" and "increasing trust in public institutions" in ways that encourage citizens to participate in Haiti's civic and political processes (DoS, 2023). The security and justice sectors will be an early focus in the first phase, reflective of Haiti's severe physical security challenges in light of rising rates of crime and violence (ibid). In phase two, the USG will work with Haitian counterparts to improve economic opportunities and access to justice essential to longer-term efforts to mitigate future conflicts (ibid).

The 10-year plan is not an innovative take on achieving progress in Haiti; however, it presents an opportunity to focus renewed political attention, dedicated financing, and participation of a wider cross-section of donors and in-country stakeholders to turn things around after years of limited progress. However, this may be easier said than done, given Haiti's historical challenge of relying on government authorities that are "highly centralized" at the national level, narrowly representative of only "a small constituency" of urban elites, and disconnected from the rest of the country (Mines & Devia-Valbuena, 2022). It is also unclear whether and how Congressional restrictions on channeling aid via the central government, as well as earmarks and directives directing aid to reforestation and the basic needs of Haitian prisoners, will affect agencies' abilities to support Haitian-led solutions in line with the *Global Fragility Act*.

Nepal: A Disaster-prone, Climate-vulnerable Country, Slowly Building Resilience

As a least-developed country, Nepal shares some of Haiti's challenges. In the early 2000s, Nepal was a fledgling democracy emerging from a civil war. Despite holding two "free and fair elections," political institutions were still fragile (Stivers & Staal, 2015). Twenty-five percent of Nepal's population lived in extreme poverty, and this was an improvement after a multi-year effort in collaboration with international donors (ibid). Even today, political instability is underscored by a near constitutional crisis in 2021. Nepal is vulnerable to natural disasters and is one of the "most earthquake-prone countries in the world" (INSARAG, 2016). It is also caught in a problematic geopolitical position such that Nepalis describe their landlocked country as a "yam between two boulders," squeezed on both sides by assertive powers jockeying for regional influence: China and India (Custer et al., 2019).[10]

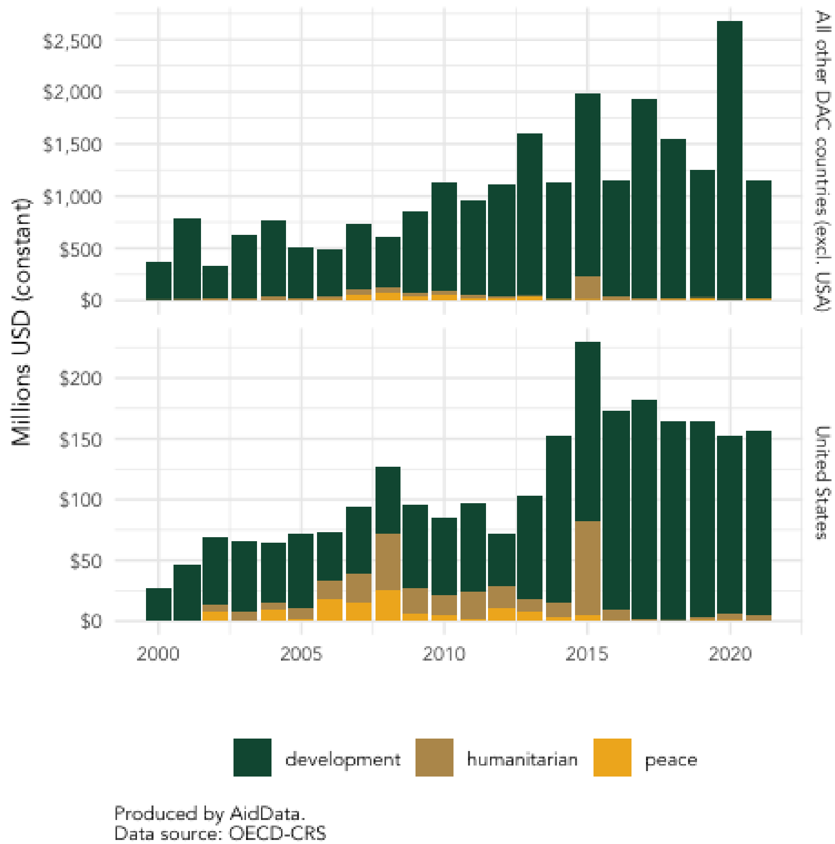
Nevertheless, Nepal was better prepared than Haiti to withstand and manage the devastating 2015 earthquakes. The Nepali government and international partners had anticipated the likelihood of a catastrophic disaster for several years prior. This afforded the players a critical asset: time to prepare. The National Risk Reduction Consortium was formed in 2009 to facilitate collaboration around five "flagship priorities for sustainable disaster risk management" (Cook et al., 2016). Donors and Nepali counterparts set up coordination mechanisms and operating frameworks for disaster management and conducted joint preparedness exercises to simulate response in emergency scenarios (ibid). USAID had invested in building Nepal's emergency response capabilities—from earthquake-resistant construction to prepositioning supplies for rapid action (Stivers & Staal, 2015).

This recognition that good governance and resilient systems benefited Nepal's long-term development and the best defense in a humanitarian crisis may explain why ODA to Nepal has consistently increased over time, mainly in the development sector (Figure 9). Comparatively, aid to humanitarian and peace efforts has decreased over time, with the U.S. and all other OECD donors on average financing less than US$10 million a year since 2019. What is less clear is whether insufficient attention is being paid to humanitarian needs, given the persistent food insecurity affecting approximately 3.9 million people, or 13 percent of the country's population (World Food Program, 2022).

2015 was the last year in which Nepal would receive a large stream of humanitarian aid. This coincided with the international response to a 7.8 magnitude earthquake that April, followed by a 7.3 magnitude aftershock in May, that catastrophically affected 22 of 75 districts (CFE-DM, n.d.). The earthquakes exacted a horrible toll on a vulnerable country: "killing about 9000 people, destroying basic infrastructure, and displacing tens of thousands in districts near the Kathmandu Valley" (Lindborg, 2015; Reid 2018). Beyond the immediate loss of life and infrastructure, the disaster triggered US$9 billion in economic losses (Cook et al., 2016).

[10] These regional competition dynamics also affect U.S. relations with Nepal. U.S. political leaders had a near miss when a high-profile MCC compact focused on critical transportation and energy infrastructure was almost rejected by local counterparts over their concerns regarding how Beijing would react. The compact was ultimately ratified by Nepal but nevertheless served as a wake-up call.

Figure 9. Official Development Assistance Financing to Nepal, U.S. versus All Other Development Assistance Committee Donors (2000-2021)



Within hours of the 2015 earthquake, the international community rallied around Nepal: 34 countries sent civilian responders, 18 countries also supplied military search and rescue, and 70 countries contributed bilateral aid, along with participation from countless non-government and multilateral actors (Cook et al., 2016). Together, it is estimated that these first responders "treated 27,390 people, evacuated 3,493 people, and delivered 966 tons of relief supplies," all coordinated by the Nepali Army and civilian agencies (CFE-DM, n.d.). Nepal received US$309 million for humanitarian efforts from OECD donors, 25 percent of which was from the U.S.

Nepal's regional neighbors also pledged their support, including financing from India (US$1 billion) and China (US$483 million) (Cook et al., 2016) and in-kind support from Bangladesh, Sri Lanka, Pakistan, and Bhutan (Bishwal, 2015). Beijing, in particular, was a high-visibility player (e.g., sending search and rescue teams, along with tents and medical supplies) and a big spender, committing US$483 million in financing to support the reconstruction of schools, hospitals, and resettlement houses (Rauhala, 2015; Tiezzi, 2015; Custer et al., 2019). USG officials testifying before the House Foreign Affairs Committee on lessons learned from Nepal reported that there were several positive examples of informal bilateral coordination with non-OECD partners, such as India's willingness to assist the U.S. deployment via "overflight clearances, use of airfields, and eased visa restrictions" (Biswal, 2015).

Unlike Haiti, the Nepali government was much more engaged and emphatic about the need for emergency responders to work in coordination with the local authorities.[11] The Nepali Army coordinated the contributions of foreign military responders and search and rescue activities under the Multinational Military Coordination Center (CFE-DM, n.d.). In parallel, the UN Office for Coordination of Humanitarian Affairs worked with Nepal's National Emergency Operations Center and the Ministry of Home Affairs to play a similar coordination role on the civilian side (ibid). An "integrated planning cell" between the two was established to "deconflict support operations" and ensure a coherent response (ibid). Meanwhile, the NGO Federation of Nepal served a similar function to integrate the efforts of national and international organizations working in the same geographical area (Cook et al., 2016).

This is not to say that communications and coordination among these disparate civilian, military, bilateral, and multilateral actors was seamless. Some actors bypassed official government channels in a race to deliver supplies using what essentially became parallel systems (Cook et al., 2016). Nepal's one international airport became a chokepoint as uncoordinated arrivals of international urban search and response teams overwhelmed the system (INSARAG, 2016). Civilian responders concentrated around main transportation arteries (e.g., highways and accessible roads), making it difficult for the Nepali government to ensure equitable relief supplies for all needy communities (Cook et al., 2016). Meanwhile, at times, Nepali authorities "lost track of the whereabouts of foreign military teams," which provoked concern (ibid).

Seeking to exert greater control, the Nepali government issued a "one-door policy" that imposed restrictions on non-governmental agencies and individuals distributing emergency support in isolation from the government. To ensure efficient and equitable distribution of search and rescue services, the Nepali government also assigned different partners to specific geographic sectors for their operations (e.g., India in the West, China in the North, and the U.S. in the East) (CFE-DM, n.d.). Nevertheless, some partners blatantly ignored these assignments, instead looking for "more profitable sites" with the potential for greater media exposure (INSARAG, 2016).

The Nepali government defended the one-door policy as critical to sustaining social cohesion in the country (Melis, 2022). However, research has shown that aid allocation in the framework of that flash appeal was less responsive to need than ethnic and political biases. Municipalities near the Nepalese capital and

[11] In fact, Nepal had been working with international donors well in advance to prepare for just such an event. The UN had set up a coordination management system with the Government of Nepal, UN Disaster Assessment and Coordination, and the UN Office for the Coordination of Humanitarian Affairs (Cook et al., 2016). In the event of the disaster, the Nepali government had identified several lead institutions to manage the response(ibid).

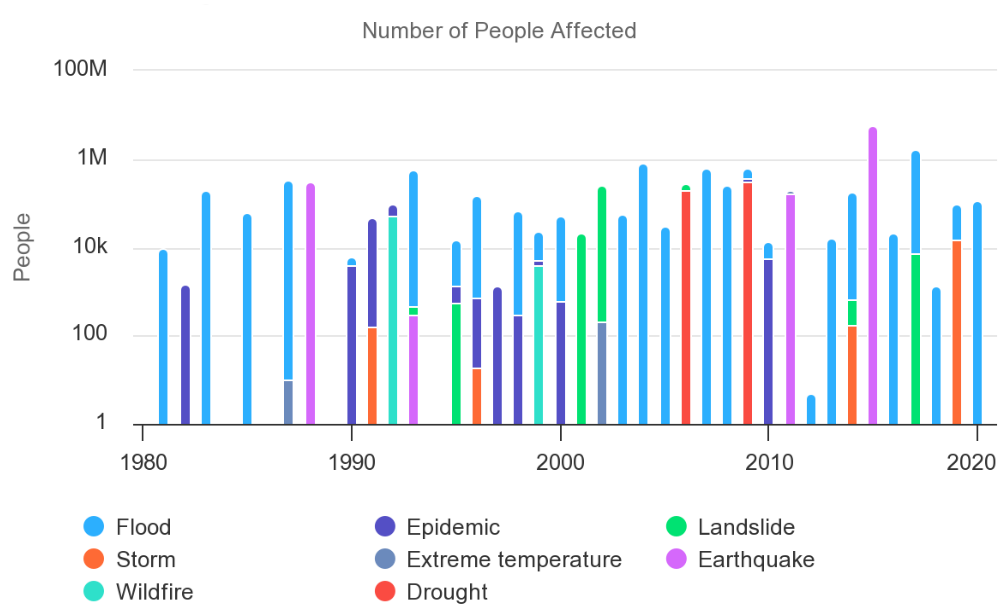
those frequently receiving general development aid were more likely to attract projects (Eichenauer, 2020). This scenario highlights the need to carefully navigate these complex crises in balancing the humanitarian desire to respond quickly and by any means to alleviate humanitarian suffering with the longer-term state-building objective of boosting the capacity and credibility of local state actors to deliver for their people.

Reflecting on the lessons learned, the U.S. Indo-Pacific Command emphasized the importance of pre-existing relationships based on mutual respect, trust, and complementarity in making Nepal a successful disaster response effort (CFE-DM, n.d.). This included interagency relationships benefiting from “high familiarity among U.S. civilian and military teams due to previous planning and senior leader activities,” as well as U.S. embassy personnel on the ground who ensured coherence across the contributions of various agencies (ibid). In the eyes of U.S. Indo-Pacific Command, this foundation facilitated Defense’s contribution of military personnel to a Joint Humanitarian Assessment Survey Team working with USAID’s Disaster Assistance Response Team (ibid). A long history of military-to-military relations and security cooperation created trust and familiarity between U.S. and Nepali military personnel on the ground.

Similarly, USAID has worked on long-term development projects with civilian Nepali counterparts for many years across government agencies and non-governmental actors. Illustrative projects included a 15-year partnership with the Kathmandu-based National Society for Earthquake Technology to improve earthquake education, awareness, and preparedness, as well as collaboration with local, regional, and national disaster management agencies in Nepal since 1998 to build capacity for medical first response, search and rescue, and hospital preparedness for mass disaster under the Program for the Enhancement of Emergency Response (Stivers & Staal, 2015). In addition to disaster risk reduction and preparedness, this also included more general social and governance sector programming.

Nepal has not been hit by another earthquake of similar magnitude since 2015; however, the country’s disaster vulnerability is not limited to earthquakes. Its diverse geo-climatic system renders the country vulnerable to many different natural events: floods, landslides, and droughts (Figure 10). In the years after the 2015 earthquakes, hundreds of thousands of people were affected by floods and droughts, with the lack of humanitarian aid likely to have been felt by the poorest. Even though the international community has been providing development aid, the U.S. and its allies must be aware that stepping away from humanitarian efforts in a least developed country that has had to navigate its fair share of political instability poses risks of a vacuum left behind and threatens the gains from the development efforts.

Figure 10. Key natural hazard statistics for 1980- 2020 in Nepal



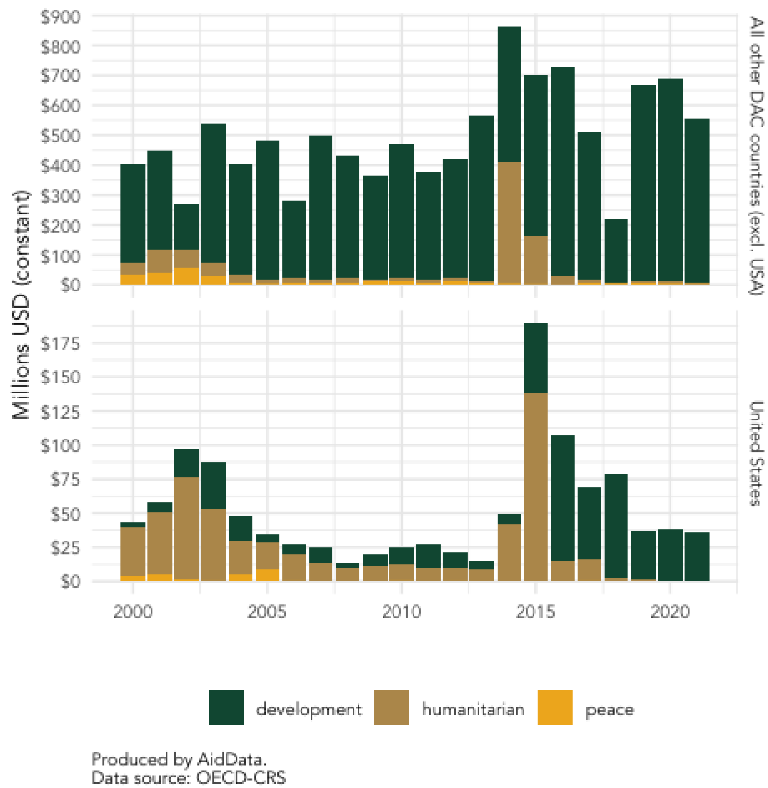
Source: World Bank's Climate Change Knowledge Portal

Sierra Leone: a success story in post-conflict reconstruction working through partners

The civil war in Sierra Leone lasted from 1991 to 2002, and it ended after the introduction of a UN peacekeeping force to monitor the disarmament process and eventually a British intervention in the former colony and Commonwealth member. A slow withdrawal process took place for both British and UN peacekeeping forces. The UN completed the withdrawal of its peacekeeping force in 2005 and was succeeded by the United Nations Integrated Office in Sierra Leone.

Given the length of the conflict and the level of violence encountered (e.g., targeted property destruction, over 50,000 dead, substantial use of abducted child soldiers), Sierra Leone had extensive needs in the post-conflict reconstruction period. The EU and the United Kingdom focused on development aid initially, while the U.S. concentrated its aid on humanitarian efforts. Aid flows from other OECD members stayed relatively stable, while American aid dwindled after the first few years post-conflict (Figure 11).

Figure 11. U.S. and other Development Assistance Committee Official Development Assistance to Sierra Leone by HDP sector



In 2014, the Integrated Peacebuilding Office in Sierra Leone formally closed and transferred its responsibility to the UN Country Team, marking the end of over 15 years of UN Security Council-mandated peace operations in the country in what was seen as a "success story on steady progress" (UN News, 2014).

Soon after, Sierra Leone faced a major humanitarian challenge with an outbreak of Ebola that led the country to declare a state of emergency in July 2014. That led to a spike in humanitarian aid with nearly US$450 million in commitments that year alone, with the majority of it being from the United Kingdom and the United States (US$344 million and US$42 million, respectively). Since then, development aid has increased, and humanitarian aid dwindled again.

In mid-2023, the country had presidential elections. Despite concerns about electoral integrity and reports of intimidation, there was no violence or unrest in the aftermath. However, while external actors emphasize the importance of calm in these situations, there are concerns about accepting electoral results that lack integrity (Gavin, 2023).

Sierra Leone has closer ties to the United Kingdom, given its status as a former colony and a member of the Commonwealth. Consequently, it is also a country in which an ally took on the leadership in coordination, and the U.S. took a relative back seat in the reconstruction process. That makes it an interesting case study in which the reconstruction period is generally considered successful, yet typical challenges to development, such as governance and elections, remain difficult to overcome.

Iraq: "In-conflict" Reconstruction Following A Direct U.S. Military Engagement

In March 2003, when U.S. and coalition forces invaded Iraq, the intent was to topple the regime of President Sadaam Hussein and quickly transfer power to Iraqi authorities within 90 days (SIGIR, 2009). A month later, the Iraqi Army was defeated in the face of superior military forces; however, the "liberation" scenario that U.S. leaders hoped for proved optimistic (Cronin, 2007). Over 12 years, international donors and the Iraqi government would spend more than US$220.1 billion to rebuild the nation, carrying out these activities amid a violent and prolonged insurgency (Matsunaga, 2019a). Compared to Sierra Leone, Iraq is an example of "in-conflict reconstruction" (ibid).

Fateful early decisions by the Coalition Provisional Authority to demobilize the Iraqi Army and pursue de-Baathification had the unintended consequences of stoking discontent among former combatants without alternative livelihoods (SIGIR, 2009). Iraq lost essential technocratic capacity within its civilian government, a blow to a country that once was seen as among the more capably governed in the region as recently as the 1970s and 1980s (Matsunaga, 2019b). More ominously, the situation metastasized into a full-blown insurgency, creating the enabling conditions for the emergence of a "multinational terrorist organization" (Robinson, 2023).

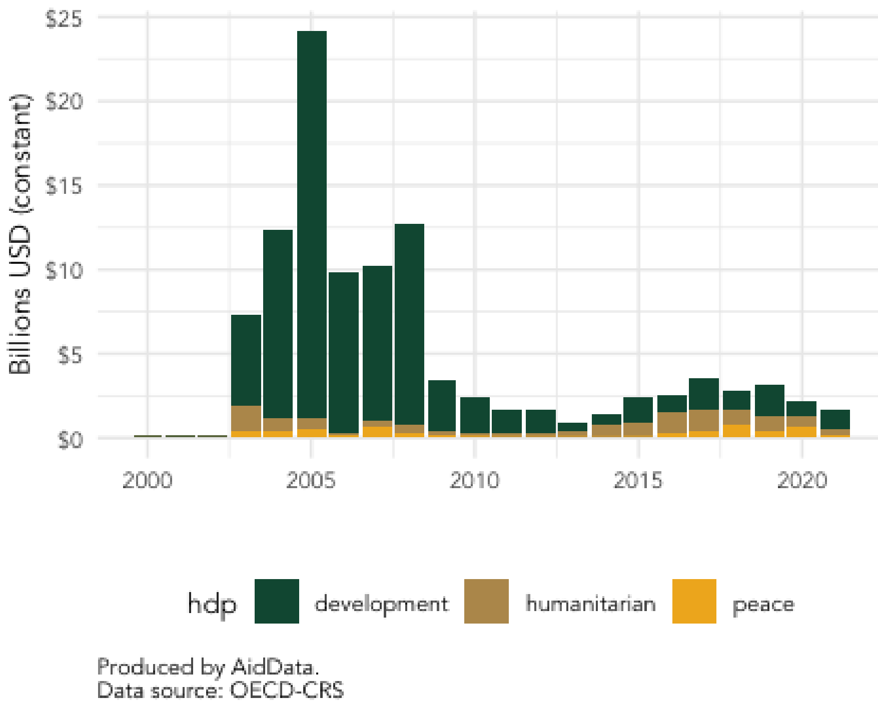
Alongside the deteriorating security situation, international donors met in October 2003 to make commitments to support Iraq's reconstruction. Together, thirty-eight countries and several multilateral organizations (e.g., the International Monetary Fund, the World Bank, the European Commission) pledged US$33 billion, over half of which was committed by the United States (US$18.6 billion) (Matsunaga, 2019b). The U.S. would ultimately spend much more—bankrolling up to US$60.6 billion by 2012, half of which went to "security-related expenditures" (ibid). Other donors had a smaller footprint, the largest of which included Japan, the World Bank, and the IMF (ibid). The largest funding source for Iraq's reconstruction would come from the country's resources, including oil production and exports (ibid).[12]

According to the OECD, Iraq received the highest amount of aid from international donors in 2005 with US$24 billion in ODA commitments, nearly all of it for development and primarily driven by the U.S. Aid to peace or humanitarian efforts never reached more than US$1.5 billion at any point between 2000 and 2021, even in the immediate aftermath of the war in 2003

[12] This included US$126.01 billion in Iraqi capital budgets from the proceeds of oil and exports, along with Iraqi government funds spent by the CPA worth US$19.8 billion (Matsunaga, 2019b).

(Figure 12). The International Reconstruction Fund Facility for Iraq was introduced to allow myriad donors to pool their resources into one trust fund with two windows managed by the World Bank and the United Nations, respectively (Matsunaga, 2019b). The trust fund was unique in two respects: it was the first jointly managed by the UN and World Bank, and it was the second-largest post-crisis up to that point (ibid). However, donors only channeled a token amount of money directed via the trust fund (US$1.86 billion).

Figure 12. Official Development Assistance to Iraq - by HDP sector (2000-2021)



At first blush, the large amounts of development aid (and comparatively limited peace and humanitarian aid) provided in a highly volatile security environment seem surprising. Initially, this was heavily influenced by the Coalition Provisional Authority's "infrastructure-heavy reconstruction" strategy to restore order and restart the economy quickly (SIGIR, 2009). The Coalition Provisional Authority adopted a "maximalist approach to reconstruction," preferring to tackle big-ticket projects that could transform a strategically important sector (e.g., oil, water, power) with a price tag to match (ibid). It convinced the U.S. Congress to fund this strategy to US$18.4 billion (ibid).

This proved to be easier said than done for several reasons. The normal difficulty of delivering reconstruction projects was compounded by severe physical insecurity. At the height of the violence, there were as many as 100 civilian deaths per day in 2006-2007. Iraqis and expats working on donor-funded projects made for attractive targets (Matsunaga, 2019b). The security situation created a substantial disconnect: those determining what projects to fund and where were cloistered in the heavily fortified Green Zone around the capital, at some distance from understanding what the average Iraqi needed (e.g., potable water, basic sanitation, electricity). The fact that decisions were often made unilaterally by the U.S. (or other donors) rather than in consultation with Iraqi government counterparts further reinforced this blindspot.

There was considerable pressure to approve and deliver reconstruction projects quickly, with insufficient thought to how they were designed and whether they could be sustained. In other words, the success metric became “burn rate” (getting money out the door) and supporting near-term tactical military objectives rather than lasting impact (communities able to use and sustain services or projects long after the U.S. exited the country). This led to misinvestments such as financing expensive water treatment stations over basic sewage systems, building community health centers with U.S. equipment that Iraqi doctors did not know how to use, and constructing schools without teachers or funds to maintain them. Moreover, completed projects were not always the same as quality projects, as evidenced by reports that some infrastructure had already begun to break down as early as 2005 (Matsunaga, 2019a).

From the perspective of winning hearts and minds, observers noted that large infrastructure projects also had the disadvantage of seeming too distant and slow-moving to matter to Iraqis. Instead, modest projects, funded by rapid response small grants programs to be responsive to community needs identified by local governance councils or create jobs, earned a more positive reception. These efforts also had the advantage of being faster to implement, with lower risks, and visible local impacts to build confidence, even on a small scale.

Although the U.S. was the largest donor, it was not unique in its tendency to go it alone. One of the enduring criticisms of Iraq's reconstruction overall was that it devolved into a set of disparate donor-funded projects, designed and delivered in relative isolation, rather than a coherent “national enterprise” (Wessel & Asdourian, 2022). Interestingly, and in contrast to Haiti, this state of affairs was not for the absence of a donor coordination mechanism. Iraq had not only one but four formal coordination mechanisms (Matsunaga, 2019b).

The Iraq Strategic Review Board reviewed and cleared new bilateral and multilateral reconstruction activities proposed by donors to “prevent duplication” of efforts (Matsunaga, 2019b). The International Reconstruction Fund Facility for Iraq was subordinate to this board, comprising two committees: one to facilitate coordination between the UN and World Bank windows, and the second to include other donors (Matsunaga, 2019b). UN agencies had their cluster coordination mechanism to ensure coherence with supporting thematic groups. Finally, the International Compact with Iraq initiative was formed in 2007 as a partnership between the Iraqi government, the UN, and the World Bank that “established benchmarks and mutual commitments” related to future reconstruction efforts (ibid).

Alas, this did not result in four times the level of coordination. The International Reconstruction Fund Facility for Iraq was beset by credibility and implementation challenges, especially for projects under the UN window, over concerns of limited oversight, conflict of interest, and chronic delays (Matsunaga, 2019b). Projects under the World Bank window fared modestly better. However, they suffered from poor integration with those implemented under the UN. They had frequent time overruns (ibid). Many donor coordination mechanisms had minimal to no engagement with Iraqi government counterparts and were inconsistent, initially starting strong and then tapering off in their meetings (ibid).

The degree to which donors prioritized engaging Iraqi authorities in decision-making was fundamentally shaped by the U.S. posture vis-a-vis Iraq's governance. Initially, the U.S. was highly consultative with Iraqi authorities via the Office of Reconstruction and Humanitarian Assistance in the first few months following the invasion, when it anticipated a quick hand-off to Iraqi authorities (Matsunaga, 2019b). The formation of the Coalition Provisional Authority in May 2003 as the "de facto government" brought the opposite extreme, as its officials determined projects with minimal engagement with Iraqi institutions (ibid). Things shifted again in favor of more extensive donor coordination with local counterparts, as the Iraqi transitional government assumed the Coalition Provisional Authority's responsibilities in June 2004 and then again during the leadership of U.S. General Petreaus and Ambassador Ryan Crocker (ibid).

Iraq is often raised by policymakers and practitioners as a scenario in which the United States entered into conflict without a clear plan on how to move toward state-building and resilience. In some respects, that might be true due to the overly rosy projections that the U.S. military would be able to withdraw within just a few short months after the invasion rather than "embark on a massive, open-ended nation-building project" (Robinson, 2023). Nevertheless, one could also argue that the problem was not only a lack of planning but also insufficient interagency coordination and consultation for all USG voices to be heard.

Matsunaga (2019b) cites several examples of thoughtful recommendations for long-term reconstruction and development emerging from exercises conducted at State (e.g., the 2002 Future of Iraq project), USAID (e.g., the Iraq Task Force), the Department of Energy (e.g., Steering Group on Iraq), and the National Security Council (e.g., the Interagency Humanitarian Working Group) in the lead up to the invasion. Meanwhile, SIGIR (2009) notes the striking absence of USAID Administrator Andrew Natsios from National Security Council meetings on Iraq until "long after the war began."

5. Take-Aways: Lessons from U.S. Assistance in Crisis and Conflict

In this final section, we briefly reflect on emerging lessons learned to carry forward into future conversations about strengthening U.S. assistance to promote greater coherence, coordination, and outcomes along the humanitarian-peace-development nexus. In surfacing these lessons, we draw insights from the quantitative analysis of historical financing, country cases, desk research, and practitioner interviews.

Lesson 1: A Long-Term Strategic Approach Grounded in Realism, Aimed at Resilience

The ability of the U.S. to remain the leading humanitarian aid provider is a success. The U.S. alone contributed nearly as much as all other OECD donors combined in the decade between 2012 and 2021 (US$88 billion and US$89 billion, respectively). In 2021, it contributed US$15.4 billion compared with US$10.9 billion from all other OECD donors. However, there is limited recognition of the extent of American efforts to support all aspects of the HDP Nexus at home and abroad. This is a failure in U.S. strategic communication and triggers several different issues.

At home, it may be more challenging to galvanize funding support, while abroad, it is a missed opportunity for the U.S. to capture public diplomacy gains that could be used to advance its diplomatic interests. Moreover, the lack of domestic support for U.S. assistance abroad induces a short-term mindset focused on immediate tactical objectives rather than long-term strategic ones. This is partly a humanitarian instinct to alleviate immediate suffering, as in the Haiti case. This is also the pressure of spending money quickly in a dynamic situation, such as Iraq and Afghanistan. Naheed Sarabi, former Deputy Minister of Finance, asserts that the "short-termism and unpredictability" of international assistance contributed to failures in Afghanistan (Wessel & Asdourian, 2022).

The USG is often good at responding to crises in the short term. The Bureau of Humanitarian Affairs can be very effective in dealing with the logistics of moving goods worldwide. The Office of Transition Initiatives in USAID is an example of a tool that works well with its aim "to provide fast, flexible, short-term assistance targeted at key political transition and stabilization needs" (USAID, n.d.). However, there is a need for more flexible and adaptable funding in the transition between crisis response and development. Even more important, there is a need for a clear, realistic, and holistic long-term plan to achieve local resilience that allows the U.S. to safely withdraw and leave stability behind. This long-term perspective, paired with flexible and agile financing, should change the success metrics from how quickly the money is spent to how well it moves countries one step closer to resilience.

Long-term strategy should not be conflated with overly ambitious, unrealistic plans. It was the immodesty of reconstruction efforts in Haiti and Iraq that derailed progress and diminished donor credibility in the eyes of counterparts. A high volume of large-scale projects with hefty price tags may sound impressive, but only when donors follow through, which is easier said than done. This warning is equally relevant in the lessons emerging from Afghanistan, as noted by former Deputy Minister Sarabi, who argued that donors "need less ambitious plans…they should promise less, deliver more" (Wessel & Asdourian, 2022).

Lesson 2: Coordination Begins at Home But Extends Far Beyond

There is a consensus among U.S. practitioners and policymakers working along the HDP Nexus that coordination (or the lack thereof) across different sectors and actors is one of the main impediments to doing this well. Without a clear structure or standard rules of engagement, coordination can still occur, but more organically and often contingent upon the personalities involved and pre-existing relationships between the players. On the flip side, even in cases where the institutional setup may support coordination, it may still not be enough.

Iraq was a case where multiple formal coordination mechanisms were theoretically present. However, it was more of an exercise in form over function, as international donors primarily worked independently of each other and the government despite multiple mechanisms. Nepal was a context where the government's desire to lead the disaster response effort and provide the mechanisms to facilitate coordination compelled donors to largely fall in line. However, USG actors in Nepal emphasized that formal coordination structures only go so far and that pre-existing relationships are critical to working well with interagency peers and host nation counterparts.

Formal coordination channels were relatively absent in Haiti and Somalia, with very different results. In Haiti, this led to disconnected projects across international actors. By contrast, in Somalia, it created the opportunity for organic coordination. Development, defense, and diplomacy (USAID, Defense, and State) worked jointly in a "microcosm" of the USG. Along with the spontaneous rise in coordination, institutional backing is also there, as concepts of sequencing and layering assistance are present in coordination meetings.

A crucial difference between Haiti and Somalia was the level and type of geopolitical interest, which may have factored into the degree to which donors emphasized coordinating and the willingness of USG representatives on the ground to assume this leadership role. The main interest of the U.S. in Haiti is tempered: given the country's geographic proximity, U.S. leaders want to avoid spillovers of insecurity in the Western Hemisphere. The interests in Somalia are more complex and varied—the presence of a terrorist threat, geopolitical interests with oil and gas, and geographic positioning adjacent to some of the world's busiest shipping lanes—which may increase its urgency and importance to make coordination a strategic priority.

Mindanao in the Philippines is another example of organic coordination between USAID, Defense, and the U.S. Joint Special Operations Task Force to deliver basic humanitarian assistance (e.g., building latrines, providing food) amid a long-standing armed conflict.[13] This case showcased another important takeaway about coordination: it is easier and more likely to occur when each player has something to bring to the table and a clear sense of what they need from the others.

Lesson 3: Investing in the Capacity of Local Partners Rather than Parallel Systems

The USG should recognize an inherent vulnerability across its broader development assistance portfolio. It channels a minuscule amount of funding through local governments, even in better-governed countries, instead relying heavily on local or U.S.-based NGOs and other implementers. Corruption and financial mismanagement in host governments are legitimate concerns and ones that Global South leaders share, according to surveys of public, private, and civil society elites (Custer et al., 2022). However, this status quo provides no clear exit strategy that allows for a sustainable transition of financing and oversight of programs to counterparts.

This is a considerable risk because when the U.S. pulls out, the investment vanishes. While understandable, this hamfisted approach creates bad outcomes: parallel systems that cannot be sustained without donor financing, unused services from half-baked investments, weakening credibility of local authorities, or failure to build capacity in the first place.

Security-wise, military-to-military cooperation and training can contribute to better HDP coherence. Practitioners would be reluctant to call Lebanon a success case broadly. Still, military-to-military training is an aspect of the American engagement that they view as having been relatively successful. Increasing unrest due to economic hardships could easily have become a greater conflict in a traditionally fragile context. However, the Lebanese army, which partners had trained, could de-escalate the situation instead of simply cracking down on protesters. Similarly, the Nepali Army's successful leadership role in coordinating international search and rescue efforts with foreign militaries

[13]Those familiar with this example explained that USAID had the funds to pay for supplies but did not feel comfortable sending its civilian workforce into a conflict zone, while Defense had skilled personnel that could handle themselves in a physically insecure environment and also wanted to build goodwill with the local authorities as part of their effort to maintain the Joint Special Operations Task Force presence in the Philippines in the face of souring relations with their counterparts.

was made possible through a substantial investment in joint preparedness exercises and training in disaster management together with allies like the U.S.

These principles also extend to robust civilian partnerships with government agencies and non-governmental organizations. Nepal again stands out as a relative success story of assistance in crisis and conflict mainly because of the long-term investment of the U.S. and many other donors for years prior in building the country's institutions at national, subnational, and local levels to withstand a major disaster. This included a strong emphasis on capacity building to ensure that local actors and systems could maintain infrastructure placed during post-conflict or post-disaster periods, as well as ensuring local systems are well-positioned to manage future crises and disasters.

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Background Research - Chapter 4

Gates Forum II

Aid in the National Interest: How America's Comparators Structure their Development Assistance

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Executive Summary

In this paper, we examined how the U.S. and ten comparator countries organize and deploy development assistance to advance multiple objectives: humanitarian, economic, security, and geostrategic. We used a global survey to assess how leaders in low- and middle-income countries weigh the value proposition of these donors in a crowded aid marketplace. We summarize three lessons from this analysis for the U.S. to consider as it optimizes its development assistance in the future.

<u>Level the Playing Field: Aid Can Achieve Mutual Benefits and Shared Goals</u>. Donors juggle multiple interests—influenced by their geostrategic position, global norms, and domestic factors, from public support to electoral politics. From West to East, donors think about how aid can open markets, access resources, cultivate influence, curb migration, counter instability, and contain competitors. Donors from Portugal and Germany to the UK and Japan have taken a cue from South-South Cooperation providers like China and India, arguing that aid should advance shared goals to the mutual benefit of their partners. Donors increasingly grapple with articulating their value proposition to stand out in a competitive global landscape. Being forthright about aid and the national interest can level the playing field to work with Global South counterparts as equal partners in a shared enterprise.

<u>Scavenge the Field for Inspiration, and Don't Be Afraid to Learn from Smaller Players</u>. China and the U.S. are large and fragmented development assistance suppliers, replete with coordination and coherence challenges. No single donor has divined a perfect solution to optimize assistance. Still, smaller players offer innovations that could be adapted and replicated in the U.S. France and Japan have experimented with top-down mechanisms facilitating interagency coordination in targeting aid to advance strategic objectives buoyed by high-level political leadership. Conversely, Portugal has emphasized coordination from the bottom up by establishing dedicated cooperation centers within its priority countries that serve as a clearinghouse for multiple agencies to integrate their assistance as a coherent offer to counterpart leaders. In a constrained budget environment, donors' use of loans is on the rise—Germany, Portugal, and Japan expand the reach of their financing by supplying loans at concessional rates alongside grants.

Focus Resources on the Sweet Spot Between the Donors' and Partners' Interests. Influential donors tended to be big spenders, like the U.S., China, and the UK. But money was not deterministic: smaller players like Portugal have outsized influence with Global South leaders, while France and Australia punched below their weight. Some donors reaped benefits from focusing resources in geographies or sectors aligned with their interests: South Asia (India), East Asia and Pacific (Japan), Sub-Saharan Africa (Portugal), governance (Germany), and environment (Norway). Top influencers, like the U.S., were often seen as the most helpful in implementing reforms, but that was not true for others like China. One of the biggest predictors of influence and helpfulness was the degree to which donors were seen as aligned with the priorities of their partners—the most pressing development problems they wanted to solve.

Acronyms

BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
GNI	Gross National Income
KfW	Kreditanstalt fur Wiederaufbau
MOFCOM	Chinese Ministry of Commerce
NGO	Non-Government Organization
OECD	Organization for Economic Co-operation and Development
ODA	Official Development Assistance
OOF	Other Official Flows
PRC	People's Republic of China
UK	United Kingdom
UN	United Nations
U.S.	United States

This paper aims to answer three critical questions:

- How do bilateral donors articulate the aims of development assistance efforts in light of their respective national interests?
- In what ways do bilateral donors converge and diverge in how they organize, coordinate, and allocate development assistance to advance their national interests?
- What might the U.S. learn from other donors in strengthening its ability to deploy development assistance in ways that advance its national interests?

1. Introduction

Sending money and expertise to aid people in faraway places is a hard sell to taxpayers in times of stability and strength. In a world characterized by widespread conflict, economic uncertainty, and environmental disasters, even the most altruistic political leaders have a tough case to make to their citizens that foreign aid is a good idea. Development assistance budgets have recently faced cuts across donors, including, but not limited to, Nordic countries renowned for their generosity (Lowery, T., 2022). The need to justify development assistance has prompted some donor countries to be more explicit in talking about how aid works in the national interest, to reorganize their programs to be responsive to that interest, and to look beyond aid (Nargund, 2023; Loy, 2023; Gulrajani & Calleja, 2021).

Aid in the national interest is not a new idea. In the United States, the term did not originate with President Donald Trump's argument that his foreign policy would put "America First." In his essay, *Foreign Aid and the National Interest*, Packenham (1966) cited empirical evidence to demonstrate that American officials saw aid as an "instrument of foreign policy" and "national interest was therefore a proper guide to aid decisions." The U.S. is not unique in that position. Two decades later, Bill Hayden, Australia's Foreign Minister, stated that "aid is not somehow tainted because, among other things, it helps serve our economic interests" (Hill, 2023). President Xi Jinping has framed his country's overseas assistance as advancing the interests of both the People's Republic of China (PRC) and its partners to their "mutual benefit" (PRC, 2021).

It is one thing to say that aid is in the national interest, but how do countries put these interests into practice via their foreign aid programs, and to what end? This paper examines how ten bilateral suppliers rationalize, structure, coordinate, and allocate development assistance to advance their respective national interests. We assess how these bilateral donors perform in the eyes of counterpart nations and derive insights for the United States to consider as it looks to strengthen its development assistance in the future. The ten comparator countries are Australia, PRC, France, Germany, Japan, India, New Zealand, Norway, Portugal, and the United Kingdom (UK). We focus on trends and changes among these donors occurring over the last ten years, with some exceptions based on data availability, noting consequential events that predate this period when relevant.

The comparator countries represent different donor contexts that could be instructive for the U.S., varying on several key attributes that we will examine in the rest of this paper. We employ a mixed methods approach to draw insights from multiple sources: (i) in-depth background interviews conducted with policymakers and practitioners; (ii) desk research on comparative development assistance strategies, policies, and practices; and (iii) quantitative data on both the supply of and demand for, development assistance from these donors as collected by AidData and reputable third-party data providers.

Note on Terminology:

In this paper, we examine how states employ grants, loans, and other debt instruments, along with in-kind and technical assistance to support development in other countries. This scope includes both Official Development Assistance (ODA) (i.e., grants and no- or low-interest loans typically referred to as 'aid') and Other Official Flows (OOF) (i.e., loans and other debt instruments approaching market rates referred to as 'debt'). We include in our assessment financing channeled by states via bilateral or multilateral mechanisms and humanitarian and long-term development assistance. We exclude military aid from this discussion. For ease of reading, we have chosen to simplify our terminology and use the generic terms "development assistance" and "aid" as catchalls for these various and diverse instruments. However, in instances where the particular modality matters (i.e., grants versus loans), we use the more specific terms to avoid confusion.

2. Aims: How America's Comparators Rationalize Their Assistance

For as long as states have maintained overseas development assistance programs, scholars have attempted to explain the motivations behind why policymakers are willing to send money and expertise abroad to help foreign leaders deliver peace and prosperity for their countries (Pedersen, 2021). Some scholars emphasize political or geostrategic rationales for development assistance—from a narrow quid pro quo to motivate the recipient to act in the donor's interests to a broader bid to build prestige that helps win friends and allies. Others argue that economic interests, such as securing critical materials or cultivating trading partners, play as much or more of a role in motivating donors to provide aid. Another school of thought points to a moral or humanitarian imperative for wealthier countries to assist an act of solidarity to assist countries in need.

Aid in the national interest is not a binary proposition. At least in their stated rhetoric, donors have mixed or multiple interests that they hold in tension. These interests can manifest differently over time, based on the donor's perceived geostrategic position in the world, evolving global norms, and domestic factors from public support to party platforms and electoral politics (Bermeo, 2017; Gulrajani & Calleja, 2021). This state of play is echoed in our analysis of U.S. aid policy, legislation, and funding from the Cold War to the present day in Chapter 1.

In this paper, we argue that it may be more useful to envision aid in the national interest as a continuum between pure selfishness and absolute altruism, but with many stops along the way:

Parochial Self-Interest → Geostrategic Self-interest → Enlightened Self-Interest

- Parochial Self-Interest: The donor targets aid to derive immediate material benefits such as tying aid to domestic industry, export markets, and access to critical imports

- Geostrategic Self-Interest: The donor targets aid to bolster its reputation or undermine a competitor, providing indirect future leverage but not a direct material benefit
- Enlightened Self-Interest: The donor deploys aid to pursue goals that directly benefit someone else but also have the potential to help themselves in the distant future (e.g., promoting peace and prosperity abroad ensures peace and prosperity at home)

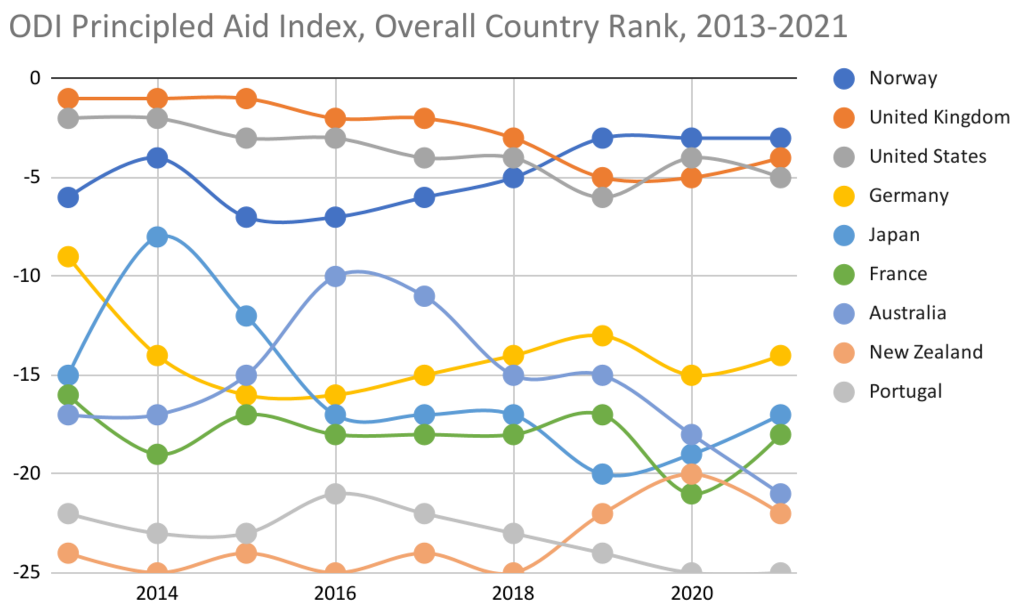
2.1 In the Club: Measuring Motivations of Development Assistance Committee Providers

In this section, we look at the U.S. and eight other member countries of the Development Assistance Committee—the Organization for Economic Co-operation and Development's club of the 32 largest providers of foreign aid that agree to adhere to a standard set of cooperation principles, policies, and reporting standards. India and the PRC are not member countries and are covered separately in section 2.2. To aid our comparison, we summarize what each of these nine Development Assistance Committee donors says they are trying to achieve (stated objectives) and contrast this with their underlying motivations (revealed objectives) by examining how they spend their money.

The latter task is aided by the Overseas Development Institute's Principled Aid Index, which assessed Development Assistance Committee donors annually between 2013 and 2021 (Gulrajani & Silcock, 2023). It scored the U.S. and eight of our comparator countries on the extent to which their aid is aimed toward (i) reducing vulnerability and inequality (need-based), (ii) addressing shared global challenges (collective action), and (iii) avoiding aid to secure commercial or geostrategic advantage (public spiritedness). Figure 1 shows how these countries ranked against their peers on the index over nearly a decade, from 1 (high) to 29 (low).[2]

[2] See Gulrajani and Calleja (2021) and Gulrajani & Silcock (2023) for more information on how the index is constructed.

Figure 1.



Note: Figure includes the U.S. and eight comparator countries relevant to this study out of 29 Development Assistance Committee donors covered by the Principled Aid Index (2013-2021), including adjusted scores from the 2023 release (Gulrajani and Silcock, 2023). PRC and India are excluded from the analysis as they are not Development Assistance Committee member countries. Countries ranked closer to 1 (high) are considered to be more altruistic than their peers, while those closer to -29 (low) are considered to be more self-interested.

Rhetoric does not always add up to reality, which may explain why the UK and the U.S. remained top performers on the Principled Aid Index amid debate and uncertainty over their aid policies over the last decade (Gulrajani & Silcock, 2023). Nevertheless, declining ranks over time hint at domestic pressures these donors likely faced from populism, mercantilism, and isolationism.

U.S. presidents have long made it clear to Congress and the American public in national security strategies and policy statements that America has multiple interests (economic, security, diplomatic, humanitarian) for its development assistance. However, the last decade has seen U.S. rhetoric sharpen about Russia and the PRC. In development cooperation, this has manifested in using aid to help countries "build resilience" in the face of "malign influence" and "counter authoritarianism" (USAID, 2022, 2023a and 2023b; DoS, 2023).

This trend underscores a humanitarian motive to prevent the erosion of democratic norms in societies. There is also a clear geostrategic incentive to deflect potential threats to U.S. interests and influence from fierce competitors.

Like Europe, U.S. political leaders have sought to rationalize development assistance in easing pressures from migrants and refugees fleeing economic and political instability in Central America and elsewhere. Curbing terrorism, infectious diseases, and drug trafficking have also been important security considerations.

In the UK, former Prime Minister David Cameron opened the door to a more explicit linkage between development cooperation and the national interest. His 2015 aid strategy was initially defensive, explaining the need to be responsive to the people's demand that "aid spending…is squarely in the UK's national interest" (DFID, 2015). Similar to France and Germany, UK aid strategies from 2015 through 2023 expressed security concerns about migration, terrorism, and refugee pressures, committing to focus resources and efforts to address root causes of instability (DFID, 2015; UKgov, 2021, 2022, and 2023). It redirected a substantial share of resources to pay for refugee costs at home at the expense of development programs abroad. Another significant driver of the UK's aid policy in recent years has been economic: to broker new trade partners and advance economic interests, particularly following Brexit.

On the surface, Portugal and Norway appear to represent two extremes in their positioning on the Principled Aid Index: the former is seen as more self-interested, consistently falling towards the bottom, and the latter is seen as more "altruistic" rising to the top (Gulrajani & Silcock, 2023). However, these caricatures do not always fit the nuances of how each country pursues its foreign policy in the national interest. The Portuguese government argues that: "cooperation should be understood as an investment, rather than an expenditure, as development rather than aid, which complements and strengthens other aspects of foreign policy, including economic diplomacy and external cultural actions, with mutual benefits" (GoP, n.d.).

Portugal's 2014-2020 Strategic Concept for Development Cooperation reinforces this ethos (GoP, 2014; OECD, 2023). Its new Portuguese Cooperation Strategy 2030 echoes this refrain, as senior officials pointed to the whole-of-society response to Mozambique's cyclones as emblematic of the power of Portugal's private sector companies, development NGOs, and the state working together to cultivate mutually beneficial relationships and markets for the future (GoP, 2022).

Norway has traditionally enjoyed public and bipartisan political support for its assistance efforts (Lindkvist and Dixon, 2014; OECD, 2019). The last six government administrations from 2005 to the present day each stated a clear commitment to development cooperation within their broader foreign policy platforms (Tjonneland, 2022). Norwegian politicians followed this rhetoric with action, maintaining aid levels at roughly 1 percent of Norway's gross national income between 2013 and 2022 (DonorTracker, 2023).

However, Norway also has a geostrategic objective to portray itself as a "humanitarian power" and exert outsized influence with a generous aid budget as part of its brand (Lindkvist & Dixon, 2014). Norway's commercial, security, and humanitarian national interests shape the implementation of its aid policies, such as its reliance on income from oil and gas exports, its desire to protect the Norwegian agricultural sector, and navigating internal budget pressures to reallocate funds to cover rising in-country refugee costs s (Tjonneland, 2022; DonorTracker, 2023).

Australia and Germany were among the performers with greater variation on the Principled Aid Index over the time period analyzed (Gulrajani & Silcock, 2023). In Australia, this volatility may reflect a changing landscape for development assistance at home and abroad. Domestically, the last decade saw the loss of the country's bipartisan consensus over the importance of aid with the 2013 election, which triggered budget cuts and structural changes to Australia's aid program (Hill, 2023) before the new government pledged to rebuild the aid program in 2022 (Rajah, 2023).

Another game changer over the last decade has been the PRC's growing influence in the Pacific region, which Australian leaders view as a geopolitical challenge requiring Australia to exert strength and renew ties with its neighbors (Tyler, 2023). Australia's new 2023 cooperation strategy is likely a reaction to these underlying political tensions. It argues that bankrolling overseas development is in Australia's national interest to promote stability, predictability, and prosperity because 22 of its 26 neighbors are developing countries (Tyler, 2023). Like Japan, the new strategy is more explicit about the linkages with Australia's security and economic interests. Still, the government uses language reminiscent of Portugal's or the PRC's emphasis on mutual benefit(GoA, 2023).

Germany, like Australia, has grappled with how its foreign policy should respond to resurgent geostrategic competition with the PRC and Russia's aggression in Ukraine (Öhm, 2021; Brechenmacher, 2023). The government issued guidelines in 2020 for its engagement in the Indo-Pacific and Africa, seeking to present a clearer value proposition for what Germany could offer (i.e., economic transformation in Africa, support for a rules-based order in Asia) and how it would work with others (Öhm, 2021).

Both policies reflect a geostrategic emphasis on strengthening Germany's place as a middle power and a significant development cooperation supplier (Öhm, 2021; GoG, 2022). Other trends, from migration and refugees to public-private partnerships and feminist foreign policy, have also shaped Germany's development cooperation strategy over the last decade (Öhm, 2021; Brechenmacher, 2023)).

While Germany defines its external engagement in economic terms, France positions itself as a global leader in combating fragility (de Galbert, 2015; OECD, 2018 and 2023). Initially, the emphasis was responding to an "increasingly unstable security environment" due to terrorism, failed states, and Russia's expansionist aspirations (de Galbert, 2015). The 2017 election brought a renewed emphasis on development cooperation to combat root causes of insecurity (OECD, 2018 and 2023), though skeptics argue that France's role as Africa's "policeman" is motivated to protect French business interests, not Africans (Kommegne, 2022; Gain, 2023).

France has also sought to make a mark for itself in climate and gender—which cut across its diplomacy and development strategies (OECD, 2018 and 2023; Pallapothu, 2020). It shares Germany's concerns regarding the need to contain and deter Russian aggression: it sent aid to Ukraine, vocally supported sanctions, and blamed Moscow for losing influence in the Sahel (Droin et al., 2023; Stronski, 2023).

Japan has long viewed its development assistance program as advancing export promotion and access to resources.[3] In the last decade, these linkages have become more explicit and geostrategic in official policy statements (Hoshiro,

[3] Past studies have shown a consistent positive relationship between Japanese aid and exports, and text analysis of earlier development policy statements reveal indirect references to the belief that global stability will lead to prosperity as early as the 1960s (Hoshiro, forthcoming).

forthcoming). In 2015, the government argued that its aid program was essential to "maintain peace and security, achieve further prosperity, and realize an international environment that provides stability" (Japan MOFA, 2015). By 2023, this rhetoric intensified with Japan's new cooperation charter (Kaizuka, 2023) in maritime security and the rule of law (Ursu, 2023).

Competition with an increasingly assertive PRC abroad, combined with economic slowdowns at home, changed the political calculus in favor of tying aid to advancing Japan's economic and security interests (Hoshiro, forthcoming; Kaizuka, 2023). A quality infrastructure focus was not only intended to counterbalance the PRC but also support domestic firms struggling to maintain their competitiveness abroad (Hoshiro, forthcoming). Japan's performance on the Principled Aid Index reflects these dynamics: consistently middle-of-the-road overall, but with a marked downturn between the early years of the PRC's Belt and Road Initiative (BRI) versus the later years (2018-21) consistent with this atmosphere of heightened geopolitical competition (Gulrajani & Silcock, 2023).

New Zealand's performance on the Principled Aid Index was consistently poor until a marked uptick beginning in 2019. In February 2018, New Zealand announced a 'reset' of its relationship with Pacific nations, characterized by increased engagement with and aid contributions to the region (NZ Parliament, 2019). According to the Lowy Institute's Pacific Aid Map[4], Australia and New Zealand provided over a quarter (26 percent) of all aid to the Pacific Islands in 2020 (Dayant and Pryke, 2022). A consistent criticism of New Zealand's aid program has been its narrow geopolitical focus; on the other hand, New Zealand's climate financing efforts and COVID-19-related aid have attracted high praise (Wood, 2023). Much like Australia, New Zealand grapples with geostrategic competition with the PRC in East Asia and the Pacific neighborhood.

2.2 Outside of the Club: From Recipients to Suppliers of Development Assistance

Emerging economies like the PRC and India may not be part of the OECD's Development Assistance Committee, but they are making their mark on the international finance landscape. Both have long-standing bilateral aid programs,

[4] https://pacificaidmap.lowyinstitute.org/

dating back to the origins of the Non-Aligned Movement with the meeting of the 1947 Asian Relations Conference in New Delhi and the Asia-Africa Conference in Bandung, Indonesia. The PRC and India were leaders in the fight to "organize a common front of developing nations in their struggle against the domination of the rich Western world led by Europe and the U.S." (Pedersen, 2021).

Overseas aid programs would become an essential part of this push towards "collective self-reliance" and solidarity in the pursuit of shared interests of economic advancement and political independence (ibid). However, neither the PRC nor India would operate assistance programs at the scale approaching, or in the case of Beijing surpassing, that of the Development Assistance Committee donors until the 2010s.

The PRC has a strong economic rationale for its modern development assistance program. It seeks raw materials and energy supplies to fuel its domestic industry, along with new export markets for Chinese products, labor, and technology (Hillman and Sacks, 2021; Custer et al., 2021).[5] The design and delivery of the Belt and Road Initiative is an extension of this logic, emphasizing large infrastructure projects that draw upon the overcapacity of PRC state-owned enterprises in the construction, steel, and cement industries at home (Horigoshi et al., 2022).

Aid has been a powerful sweetener for the PRC to convince foreign leaders to accept its territorial claims (e.g., Taiwan, Tibet South China Sea), cement its stature as an economic and military superpower, and inoculate itself against external pressure that threatens the Chinese Communist Party's grip on power (Custer, 2022; Hillman and Sacks, 2021). These quid pro quo expectations are sometimes explicit: making access to assistance contingent upon accepting the One China policy and investing in the home districts of political leaders (Dreher et al., 2019; Custer et al., 2018 and 2019). In other cases, these expectations are more diffuse: inviting countries to work together for "win-win" outcomes via the BRI and its 2021 launch of the Global Development Initiative.

[5] The PRC has been the single largest consumer of energy since 2009, and the single largest energy importer (Hillman and Sachs, 2021). Custer et al. (2021) found that districts proximate to natural gas pipelines and other energy potential, along with populous districts representing lucrative consumer markets, were most likely to receive higher volumes of PRC official finance investments.

Like the PRC, India uses its aid program to help Indian companies gain access to new markets and strategic sectors as they find themselves competing with Chinese state-owned enterprises.[6] This competition also takes on a security dimension as India is concerned with ensuring a steady supply of energy to keep up with the demands of its hungry, growing economy at home (Mathur, 2021). Geostrategic competition with the PRC, which has intensified in recent years but dates back to the 1960s (Kragelund, 2010), is top of mind for India to maintain a precarious balance of power in South Asia (Mathur, 2021).[7]

In this battle for hearts and minds, the Indian government recognizes that there is an offensive and defensive dimension to aid, demonstrating India's value as a preferred partner but also deterring neighbors from growing interdependence with the PRC (ibid). The emphasis on solidarity with the Global South that inspired its early cooperation efforts in the early days of the Non-Aligned Movement is apparent in India's aid today (Pedersen, 2021; Mathur, 2021).

India's development assistance relies heavily on technical cooperation to collaborate with counterpart nations on "agricultural development, human rights, urbanization, health and climate change" (Mathur, 2021). It views these activities as essential to brokering "functional partnerships" and "resilient supply chains" to minimize potential disruption to India's economy and avoid overdependence on the PRC or Russia (Singh, 2022).

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[6] India's EximBank was found to be more likely to supply credit financing for Indian companies to work in a subnational locality that received PRC government financing the prior year (Asmus et al., 2021).

[7] Competition with the PRC was an animating factor in creating the Indian Technical and Economic Cooperation Program (Mukherjee, 2015).

3. Architecture: How America's Comparators Operationalize Their Assistance

How countries organize their aid infrastructure—from the agencies involved in foreign aid to the coherence of their foreign and domestic policies—influences the effectiveness of their aid programs and the degree to which they work in the national interest. Aid programs, organized well, can strengthen and be reinforced by efforts on other fronts such as trade, education, and public health. If aligned poorly, aid can counteract the work done by other parts of the government (OECD, 2021). In this section, we compare the number of players involved in donors' aid programs and how they integrate and coordinate their efforts.

3.1 Number of Players: Fragmentation Versus Consolidation

Comparatively, the United States has one of the most crowded and fragmented playing fields among large aid providers—an estimated 20 agencies finance and implement development projects. As described in Chapter 1, this includes globally focused entities like the U.S. Agency for International Development, the Millennium Challenge Corporation, and the Department of State, along with geographically bounded agencies like the U.S. African Development Foundation and the Inter-American Foundation.

A considerable number of domestically-focused agencies maintain smaller technical assistance portfolios in their areas of respective expertise. Other agencies implement programs in specialized areas, such as the Department of Health and Human Services (in public health) or the U.S. Department of Agriculture (in food aid), or supply financing to crowd in private sector investments, such as the U.S. Development Finance Corporation.

The PRC's aid architecture is even more complex than that of the U.S.. Beijing is not a new supplier of overseas financing for development—examples of its assistance date back to the 1950s (Horigoshi et al., 2022), managed primarily by the Ministry of Commerce (Malik et al., 2021). Nevertheless, in the last quarter century, as the scale and reach of Beijing's overseas development assistance has grown astronomically, so too has the number of players involved in its financing and execution.

Over 300 public sector actors have financed or implemented Chinese-financed overseas development projects since 2000 (Malik et al., 2021).[8] This estimate includes between 20-30 government agencies at national, provincial, and municipal levels (Rudyak, 2019; Zhang et al., 2017; Yuan et al., 2022), along with a much larger ecosystem of state-owned enterprises, state-owned policy banks, and state-owned commercial banks.[9]

The 2018 formation of the China International Development Cooperation Agency was an attempt by PRC leaders to tackle challenges of coordination, coherence, and effectiveness across its fragmented assistance architecture (Rudyak, 2019).[10] The new "vice ministry-level agency" sought to overcome interagency dysfunction stemming from intense competition over resources and political clout between the Ministry of Commerce's commercially-oriented expectations for aid and the Ministry of Foreign Affairs' argument that diplomatic and geostrategic goals should take preeminence (ibid).

On paper, the change in the aid architecture redrew organizational boundaries. The China International Development Cooperation Agency assumed aid-focused responsibilities and personnel from the other two agencies. Although it lacks the stature of a full ministry, the agency has a direct reporting line to the Chinese State Council and maintains its own "independent administrative structure" (Lynch et al., 2020). The China International Development Cooperation Agency was mandated to represent the government in negotiating country agreements, designing country strategies, and overseeing the delivery and evaluation of development assistance projects (Rudyak, 2019).

That being said, the China International Development Cooperation Agency is a paper tiger. Its mandate is limited to planning and coordination rather than

[8] Malik et al. (2021) estimate this number to be 334 unique PRC official sector actors involved in overseas development projects during the period of 2000 and 2017.

[9] For example, prior to the 2013 announcement of the Belt and Road Initiative, the lion's share of financing for overseas development projects was channeled via two state-owned policy banks: China EximBank and China Development Bank. In the first five years of BRI implementation, there was a fivefold increase in financing for overseas development channeled via state-owned commercial banks (such as Bank of China, Industrial and Commercial Bank of China) (Malik et al., 2021).

[10] As early as 2017, the PRC government via its Central Leading Group for Comprehensively Deepening Reforms identified foreign aid as a priority area for reform with an emphasis on: ensuring strategic alignment, reducing fragmentation, increasing accountability, and improving the overall quality of aid programs (Rudyak, 2019).

execution or implementation of projects on the ground, which is primarily within the remit of the Ministry of Commerce, other line ministries, and Chinese state-owned enterprises (Lynch et al., 2020; Rudyak, 2019). While the China International Development Cooperation Agency has an upstream role in identifying country strategies and approving projects as well as evaluating results downstream, it has a limited say in what happens in between (e.g., funding and delivery). The agency's influence is further constrained by the small size of its budget relative to other players (Sun, 2019)[11] and the continuous need to clarify the division of labor between itself, the Ministry of Commerce, and the Ministry of Foreign Affairs (Yuan et al.,2022).

Most restrictive: the China International Development Cooperation Agency's remit does not oversee the PRC's extensive portfolio of projects financed with loans at varying rates of concessionality: financing at below market interest rates (Lynch et al., 2020). Given the prominence of debt-financed development within the PRC's assistance program—which Malik et al. (2019) find accounts for the lion's share of its assistance—this effectively consigns the agency to a marginal player at best within the PRC's complex development assistance architecture.

If the PRC represents maximum fragmentation, the UK, Australia, and New Zealand are at the opposite end of the continuum. Their aid architectures have been centralized and increasingly so in recent years. For most of the last quarter century, the UK vested responsibility for its aid program under the auspices of an independent cabinet-level ministry: the Department for International Development. However, this status quo changed in 2020, when the UK government led by then Prime Minister Boris Johnson merged the department with the former Foreign and Commonwealth Office, bringing development and diplomatic responsibilities under one umbrella.

The Foreign Commonwealth and Development Office is also the sole shareholder of the UK's dedicated development finance institution, British International Investment (formerly CDC Group), which operates as a public limited company with a single shareholder. Despite the heavy emphasis on using aid to open up new markets for the UK being evident in its broader national strategies (per Section 2), the government opted not to include commercial

[11] Sun (2019) estimates that as of 2019, CIDCA's development assistance budget was a mere 1 percent of that of that overseen by MOFCOM.

responsibilities within the new agency, instead situating these responsibilities within the Department of Business and Trade.

The UK government's decision to consolidate its development and diplomacy functions under one umbrella was partly philosophical—signaled by the release of the 2015 aid strategy, which sought to more closely align aid with economic and geostrategic interests (Worley, 2020)—but also reflects an interagency competition over scarce resources. For years before the merger, the government faced public sector budget cuts. Aid was an exception, as the government was required to meet the OECD's recommended target of 0.7 percent of gross national income (GNI) per the parliament's International Development Assistance Act of 2015 (Loft and Brien, 2022).

This dynamic made the aid budget, and DfID in particular, an attractive target for politicians who sought to claw back the agency's mandate and redirect budgets to other agencies (Krutikova and Warwick, 2017). During the COVID-19 pandemic, the UK government reduced aid spending to 0.5 percent as a "temporary measure," and legislation passed in 2021 outlined two economic tests to be met before restoring spending at the 0.7 percent level (ibid).

Several years prior, Australia pursued a similar change to its aid architecture, folding the former development agency (AusAid) into the Department of Foreign Affairs and Trade in 2013. One critical divergence from the UK example was that Australia's merger incorporated trade alongside development and diplomacy. Like the UK case, the Australian government's decision to dissolve its aid agency and merge these functions within its foreign ministry occurred in an environment rife with public sector budget cuts, where the aid agency (AusAid) was seen as maintaining a relatively large and protected budget[12] (Pryke, 2019).

The merger also reflected a philosophical stance promoted by the conservative government led by Prime Minister Tony Abbott of the need for a "new paradigm" that reflected Australia's national interests and a "changed context" where private funding (e.g., Foreign Direct Investment, remittances, trade) would play an outsized role relative to traditional aid (DFAT, 2014; Hill, 2023). The integration of the development, diplomacy, and trade portfolios may have inspired better policies on labor mobility, helped rebuild a beleaguered

[12] Pryke (2019) estimates that the development agency (AusAid) had an operating budget twice the size of the foreign ministry (DFAT) at the time of the merger.

diplomatic corps, and provided a useful refresh to how Australia engaged with the Pacific (Pryke, 2019). But there were substantial challenges.

Like Australia, New Zealand's aid agency called the New Zealand Aid Programme, is situated within the Ministry of Foreign Affairs and Trade, which spells out the concerted trade, foreign affairs, and development efforts the ministry must undertake. On the ministry's website, there is a clear statement of national interest as they affirm "[t]he Ministry acts in the world to build a safer, more prosperous and more sustainable future for New Zealanders" (MFAT, n.d.a.). The Ministry pursues sustainable solutions, prosperity, security, and influence in the service of the citizens of New Zealand (ibid). In November 2019, New Zealand's cabinet adopted its policy on International Cooperation for Effective Sustainable Development, which reiterated a focus on engaging in the Pacific region (MFAT, n.d.b.).

There are two theoretical upsides to the consolidation pursued by the UK, New Zealand, and Australia: (i) the potential to synchronize instruments of national power to work together in advancing national interests rather than in isolation and (ii) overcome interagency coordination and coherence challenges through co-locating diplomacy and development (and trade in the case of New Zealand and Australia) under one umbrella. However, observers familiar with these restructuring efforts argue that the costs outweigh the benefits.

They point to three unintended consequences of the mergers that have negatively impacted the ability of New Zealand, Australia, and the UK to deliver development assistance in ways that advance their multiple national interests. Diplomats, already overstretched, now have the additional burden of running aid programs, scattering their attention in many more directions. The merger and move to curb the independence of aid programs triggered a loss of valuable technical expertise in the design and delivery of effective development, as specialized personnel left the newly combined agencies in protest or frustration. Without an independent development agency, the humanitarian or moral imperative for aid became subsumed or demoted to second-tier status to other competing interests. This manifested in relatively higher cuts to development versus diplomatic funding and staffing.[13]

[13] For example, prior to the merger the Department of Foreign Affairs and Trade had relatively more staff than AusAid, but Pryke (2019) reported that by mid-2015 staffing cuts of 500 positions included a higher proportion of AusAid staff. This led to

India also lacks a dedicated development cooperation agency. However, this is less by design than it reflects the insufficient political will to overcome competing interagency interests that have stymied past attempts to reform the aid architecture. Instead, India's bilateral aid program is managed by a department under the Ministry of External Affairs, the Development Partnership Administration, with involvement from several other agencies (Mathur, 2021), making it somewhat similar to the U.S. and the PRC in terms of the wide bench of players involved. The Development Partnership Administration is responsible for technical cooperation, humanitarian assistance, grant-based assistance, and project appraisals for lines of credit and concessional loans issued by the Ministry of Finance and Export-Import Bank of India (OECD, 2023). The Ministry of Finance retains separate responsibility for multilateral assistance.

However, the Development Partnership Administration's ability to incentivize and compel coordination across interagency players is highly constrained by its relative lack of status (Mathur, 2021). Although this affects long-term development and short-term crises alike, the uncertainties and inefficiencies of multiple actors working relatively autonomously absent a robust coordination mechanism are most evident in humanitarian assistance.[14] As Shanbog and Kevlihan (n.d.) note, humanitarian assistance has become a growing area of focus for India. It is plagued by organization and coordination challenges from unclear chains of command and opaque decision-making processes.

3.2 Positioning of Development Assistance: Degree of Integration and Coordination

The remaining aid providers fall between the two extremes of complete consolidation versus complete fragmentation. Most donors in this group have a defined development cooperation entity, which often falls under the oversight of the Ministry of Foreign Affairs, and a development finance institution (i.e., a specialized bank or subsidiary entity to support private sector development in low- and middle-income countries). Some countries have additional specialized

a greater reliance on private contractors, and diplomats without development expertise over aid budgets for which they were not well prepared to manage (ibid).

[14] In addition to the Development Partnership Administration, this includes the National Disaster Response Force, Food Corporation of India, National Agricultural Cooperative Marketing Federation of India and Armed forces, among others (Mathur, 2021).

agencies, though donors in this group do not typically have the breadth of players evident in the U.S. and PRC. There is more variation in the degree to which development cooperation entities are integrated within broader foreign policy structures and conversations, as well as approaches to coordination.

In Norway, most aid players are integrated under the oversight of a Minister of International Development[15] under the Ministry of Foreign Affairs. The Norwegian Agency for Development Cooperation, a directorate, is responsible for roughly half of Norway's aid portfolio (OECD, 2023). It not only manages and implements its own grant-funded programs but also those overseen by the separate Ministry for Climate and Environment, which is responsible for Norway's International Climates and Forests Initiative (ibid). In addition, the Norwegian Agency for Development Cooperation holds responsibility for development assistance reporting and quality assurance.

The Norwegian Investment Fund for Developing Countries, a development finance institution, is owned and funded by the government with a mandate to facilitate sustainable business investment in developing countries through loans and risk capital (Norfund, n.d.). It has its own board of directors, appointed by the General Assembly, though the Minister of International Development represents the government's oversight of the fund (ibid). The Norwegian Agency for Exchange Cooperation primarily focuses on knowledge exchange activities.

In contrast to the U.S., which charges the Treasury for engaging with multilateral development partners, Norway keeps this under the Minister of International Development (OECD, 2019). Similar to America, overlapping mandates between the Minister of International Development and the rest of the Ministry of Foreign Affairs created coordination challenges and duplication that have been the focus of many reforms (ibid). For example, the Minister of Foreign Affairs separately oversees budgets for peace and reconciliation, as well as conflict stabilization and fragile states, outside of the authority of the Minister for International Development (ibid). The Minister of Foreign Affairs also has the mandate for thematic areas related to humanitarian assistance, human rights, and the oceans, as well as some geographic regions (e.g., the Middle East, North Africa, Afghanistan) (ibid).

[15] The inclusion of this position has fluctuated somewhat across administrations and was newly re-established in 2018 (OECD, 2019).

Two areas highlighted as opportunities in Norway to foster greater coherence and cooperation across these actors (and others) may be relevant in the U.S. context. The Ministry of Foreign Affairs is important in developing unified multi-year country strategies that integrate aid and non-aid tools in a whole-of-government approach to advance development cooperation. Secondly, the Ministry of Foreign Affairs has used broader development frameworks like the UN sustainable development goals to spur interagency dialogue and identify areas of complementarity for shared action (ibid).

Japan also has a relatively integrated set of aid players and is among the most hierarchical in its decision-making of the donors examined in this study. The Japan International Cooperation Agency is responsible for implementing programs related to bilateral grants, loans, and technical assistance for its partner countries (OECD, 2023). It plays a role in delivering emergency relief; both donated supplies and emergency response teams (ibid). However, as an incorporated administrative agency, the Japan International Cooperation Agency is strictly an implementer of development programs directed and contracted by the Ministry of Foreign Affairs, which determines cooperation policies (OECD, 2021). Similar to Norway, the Ministry of Foreign Affairs is responsible for contributions to multilateral organizations.

The Prime Minister's office is a force for integration, particularly in infrastructure financing. It convenes a Management Council for Infrastructure Strategy with a broader set of actors: Japan's Bank of International Cooperation; the Ministry of Economy Trade and Industry; Japan Oil, Gas, and Metals National Corporation; the Nippon Export and Investment Insurance; the Japan International Cooperation Agency; and the Japan External Trade Organization (OECD, 2021). The high-level involvement of the PM's office reflects the fact that the Council explicitly seeks to advance multiple national interests with its infrastructure investments: economic (promoting Japanese exports), geostrategic (building goodwill and allies), and humanitarian (strengthening the capacity of partner countries) (ibid).

Nevertheless, the Achilles Heel of the high political visibility for development assistance in Japan is that decisions on what to fund, where, and how are primarily constrained by the need for central government or even cabinet-level approval in some cases.[16] This has the unintended consequences of decreasing Japan's responsiveness to what partner governments want and its in-country representatives recommend and making the decision-making process for new projects longer and less efficient (ibid).

Development cooperation is accorded substantially greater autonomy in Germany than in the case of Japan or Norway. Germany has a specialized cabinet-level agency with its minister for this purpose, the Federal Ministry for Economic Cooperation and Development, rather than being subordinate to the Ministry of Foreign Affairs (OECD, 2023). As with Norway, there is a demarcation between long-term development assistance (the domain of the Federal Ministry for Economic Cooperation and Development) versus humanitarian assistance and conflict and stabilization for countries in crisis (the domain of the Ministry of Foreign Affairs) (OECD, 2021). It is unclear whether this helps or hinders coherence between these functions, as discussed in Chapter 3.

Germany has two implementing entities and subsidiaries—both of which are accountable to the Federal Ministry for Economic Cooperation and Development. The German Agency for International Cooperation and Kreditanstalt fur Wiederaufbau (KfW) is focused on partner country governments—supplying technical assistance and financial cooperation, respectively (OECD, 2023). The German Investment Corporation, Germany's development finance institution, is positioned under KfW, along with the KfW Development Bank (ibid). The German Institute for Development Evaluation is a specialized entity that operates as a research institute to improve the effectiveness of its assistance.

Germany is one of the few remaining donors that accords development cooperation and the political prominence of a dedicated cabinet-level ministry. This architectural choice has its benefits. It elevates development as an essential instrument of national power alongside defense and diplomacy. It ensures this perspective informs cabinet-level deliberations on foreign policy without intermediation by the Ministry of Foreign Affairs. Moreover, it provides political space for the Federal Ministry for Economic Cooperation and Development and its implementers to develop a deep specialization in development, attract and

[16] As the OECD (2021) reports, "cabinet approval is required in principle for any grant and loan project, including some…under USD 1 million."

retain professional staff with relevant technical expertise, and focus on the design, delivery, and evaluation of sound aid projects, somewhat shielded from other imperatives.

But this status quo also has trade-offs. Although not as diffuse as the U.S. and the PRC cases, Germany has a sufficiently large number of players operating in relative independence to make coordination and coherence more difficult than donors with streamlined systems. Having a separate ministry for development cooperation apart from foreign affairs or trade, combined with a culture that privileges autonomy and egalitarian decision-making, can make it challenging to exploit synergies across instruments of national power for a more holistic way of engaging partner countries in combining both aid and non-aid tools (OECD, 2021).

Even among the Federal Ministry for Economic Cooperation and Development and its implementing entities, a high degree of decentralization can lead to a proliferation of strategies, policies, and procedures, which may be duplicative, confusing, or working at cross-purposes (ibid). The many central-level players, combined with a relatively weaker presence within embassies (under the remit of the separate Ministry of Foreign Affairs), may also have the unintended consequence of making German development cooperation less nimble and effective in responding to the demand and needs of their partner country counterparts (ibid).

France, too, has a lead development cooperation agency, the French Development Agency, which is responsible for financing to support governments and non-governmental organizations. But this belies a much more complex aid architecture comprising 14 ministries, managing 24 separate budget programs (OECD, 2018). The French Development Agency is part of an umbrella group, along with France's development finance institution, the private-sector-focused Proparco, and Expertise France (a technical cooperation entity) as subsidiaries (OECD, 2023).

The French Development Agency Group is jointly overseen by two ministries: the Minister for Europe and Foreign Affairs and the Minister of the Economy, Finance, and Recovery. The government also proactively engages non-governmental stakeholders (e.g., NGOs, universities, trade unions) around the nation's development policy through a 67-member National Council for

Development and International Solidarity, which meets three times annually along with supporting working groups (GoF, n.d.).[17]

Compared to Germany or Norway, the fact that no one minister is responsible for development cooperation could inadvertently dilute this perspective within broader foreign policy decisions (Faure, 2021). It also adds complexity to the coordination among many players, and observers familiar with these institutions noted persistent power struggles between the Ministry for Europe and Foreign Affairs and the French Development Agency. Against this backdrop, France passed a Law on Inclusive Development and Combating Global Inequalities in 2021, in line with President Emmanuel Macron's emphasis on modernizing French foreign aid. The law lays out more focused policy objectives and recommended financing levels but also changes how aid should be governed and evaluated (Faure, 2021).

An independent evaluation commission was formed to report to parliament on the impact of French aid on the ground (Faure, 2021). A Development Council chaired by the French President builds interagency consensus on strategic-level decisions related to development cooperation as a tool within France's broader engagement with other countries (ibid). Led by the Prime Minister, an Inter-ministerial Committee for International Cooperation and Development takes additional decisions to set the parameters for how France's development cooperation policy should be implemented (e.g., priority country selection, bilateral and multilateral aid allocations) (ibid).

The law also significantly clarified leadership for French aid efforts on the ground, identifying the ambassador in each country as the focal point for coordination among various development cooperation actors (ibid). Implementation of the new legislation is still nascent to judge whether it has improved the coordination and coherence of French aid in practice. Still, some of its features may be worth considering in the U.S. context.

Portugal has a similarly complex set of government ministries involved in aid as France, operating in a more decentralized system. Instituto Camões I.P. (the lead agency for Portuguese development cooperation, language, and culture

[17] According to the French government (GoF, n.d.), the Council has formed six working groups that produce recommendations to inform development cooperation policy in areas such as: migration and development, development finance, private-sector involvement, the French G7 Presidency, multilateral funds and banks, and civic space.

promotion) is responsible for “steering and coordinating” the country’s assistance efforts. Its sister agencies generally accept this role (OECD, 2022).[18] Perhaps reflective of this multi-stakeholder environment, engagement with multilateral institutions is not the remit of a single agency but a shared responsibility of Camões I.P., the Ministry of Foreign Affairs, and the Ministry of Finance (ibid). Portugal has a private-sector-focused development finance institution: Sociedade para o Financiamento do Desenvolvimento.

Although formal coordination processes exist, such as the requirement for ministries to secure Camões I.P. approval for their development cooperation activities (ibid), observers familiar with these institutions indicate that it is more common for coordination and information sharing to occur informally and bilaterally between the respective ministries rather than working across all the actors. Moreover, the emphasis of this coordination appears to be more at the operational level than necessarily focused on strategic-level coherence or medium- to long-term priorities, increasing the risk that its efforts fail to add up to more than the sum of their parts (ibid). Like France, however, the Portuguese government has established a vehicle to engage its public to give input to its aid policies via its annual Development Cooperation Forum (ibid).

One innovation that could be useful for the U.S. to watch and learn from is Portugal’s use of Portuguese Cooperation Centers at the country level. Overseen by relevant embassies, the Portuguese Cooperation Centers are “administratively independent entities” based in partner countries that can hire local staff and could, theoretically, become a clearinghouse for disparate ministries to channel and coordinate support in ways that are responsive to counterpart nation goals (OECD, 2022). However, this is more an aspiration than reality, as the Portuguese Cooperation Centers have relatively limited authorities to support the implementation of projects as opposed to direction setting, though Camões I.P. does intend to devolve additional decision-making mandates to the Portuguese Cooperation Centers in the future (ibid).

[18] Camões is the result of a merger of the development agency and the cultural and language institute in 2012 (OECD, 2022).

4. Focus: How America's Comparators Prioritize Their Assistance

Donors are increasingly caught between addressing complex development challenges abroad that can have real impacts in their own countries and increasing pressure on their budgets to address intensifying uncertainties at home. To appreciate the complete picture of why donors behave the way they do, it is helpful to not only look at what donors say about their stated priorities via strategies, policies, and statements but also what they do by examining their revealed priorities via attributes of their assistance flows.

In this section, we look at how donors give assistance: how much they give, with what terms, in which geographies and sectors, and to what extent is this bilateral spending or channeled multilaterally? In answering these questions, we can pinpoint what donors prioritize in practice beyond their rhetoric. Table 2 provides a summary to compare similarities and differences in how our ten comparator countries vary in aid volume, terms, channels, and generosity.

Table 2. Comparing Aid Volumes, Terms, Channels, and Generosity—A 10-Year Average

Country	Volume: Annual Aid (ODA) and Debt (OOF), in millions	Generosity: Annual Aid and Debt Dollars Given Per Capita[19]	Terms: Percentage of Annual Giving in Grants	Channels: Ratio of Annual Bilateral: Multilateral Giving
Australia	3,398.45	130.82	91.1	69:31
China (PRC)*	150,817.00	106.8	30.3	unknown
France	11,100.65	163.4	46.8	67:33
Germany	29,995.28	356.75	53.6	77:23
India	701.27	0.49	unknown	unknown
Japan	25,312.70	202.3	22.8	83:17
New Zealand	459.67	89.71	97.1	74:26
Norway	4,024.01	737.39	89.9	62:38
Portugal	381.64	36.77	41.5	60:40
United Kingdom	13,498.81	201.56	90.2	55:45
United States	41,056.16	123.19	79.9	76:24

*Notes: For Australia, France, Germany, Japan, New Zealand, Norway, Portugal, the United Kingdom, and the United States, the data was gathered from the OECD.Stat for years 2012-2021. *For the PRC, the data was gathered using AidData's Global Chinese Development Finance Database for 2008-2017, Version 2.0. For India, the data was collected from the website of the Ministry of External Affairs, Government of India. All financial figures use USD 2021. Donor per capita spending estimates use population statistics available from the World Bank.*

4.1 The Bottom Line: Volume, Generosity, and Terms of Financing for Development

Donor countries vary greatly in their spending power, or at least what they are willing to devote to supporting development in other countries. The PRC leads

[19] Using the average annual total oda+oof for the last ten years of data available, and the latest population numbers available from the World Bank, we calculated the aid given per capita in the donor country.

the U.S. and comparator countries by a wide margin in the sheer volume of financing it mobilized for development between 2008 and 2017 (the last ten years of data available): US$150.8 billion per year/on average (constant 2021). The U.S., Germany, Japan, and the UK are among the largest Development Assistance Committee donors reporting to the OECD's Creditor Reporting System, supplying an average of US$13.5 billion (UK) to US$41.1 billion (U.S.) in overall financial flows between 2012 and 2021. Whereas some donors bankroll development in the billions yearly, other bilateral suppliers do so in the millions. As shown in Table 2, Portugal, New Zealand, and India had comparatively smaller budgets, ranging between US$381.6 million (Portugal) and US$701.3 million (India).

Of course, overall volume is only one way to compare donors; another is generosity. In this vein, we estimate each donor's spending power per capita (i.e., how much money is given for each person in the donor country). Norway, Germany, and Japan are the most generous on this measure, punching well above their small size in giving between US$202 (Japan) and US$737 (Norway) per person. India and the PRC are less generous, supplying between 50 cents (India) and US$107 per person. This is perhaps unsurprising for two middle-income countries with some of the largest populations in the world. Yet, this is not unique to emerging markets, for Portugal and New Zealand also each spent less than US$100 per person on development aid.

Many comparator countries still supply the majority of their assistance grants, though even for these donors, the share of funds they provide through loans is growing. New Zealand, Australia, and the UK gave 90 percent or more of their development assistance dollars on average through grants. On the opposite end of the spectrum, Japan gave roughly three-quarters of its assistance in loans, with the PRC not far behind with debt and equity accounting for two-thirds of its portfolio.[20] France, Germany, and Portugal appear to have the most balanced portfolios, with approximately 42 to 54 percent of their assistance in the form of grants versus loans.[21]

[20] India's Ministry of Foreign Affairs does not disaggregate grants and loans in its reporting, so we are unable to estimate the portfolio.

[21] Portugal's ten year average (42 percent as grants) appears to be at odds with the OECD findings from 2023 that it provided the vast majority (86 percent) of its funding as grants, which marks a shift in the country's strategy.

However, it is important to underscore that not all loans are equally burdensome for recipient countries: the devil is definitely in the details of the specific lending terms (i.e., interest rates, repayment periods, risk premia like collateral requirements). For example, the average loan from a Development Assistance Committee donor like Germany or Japan would typically come with a 1.1 percent interest rate, a repayment period of 28 years, and seldom requires collateral requirements or other risk premia. Comparatively, the PRC's lending is much more similar to a commercial bank. The average loan from the PRC has a 4.2 percent interest rate and a repayment period of less than ten years (Malik et al., 2021). Sixty percent of projects require one or more of the following as a hedge against default: collateral (usually liquid assets), repayment guarantees, or credit insurance (ibid).

Between 2012 and 2021, the U.S. development assistance was heavily oriented towards grants (80 percent) rather than loans (20 percent). Even among assistance given in the form of loans, terms were more similar to the high degree of concessionality (no- or low-interest, longer repayment and grace periods) of the other Development Assistance Committee donors. This profile has been consistent in the decades following the Heavily Indebted Poor Countries initiative launched by the World Bank and the International Monetary Fund in the 1990s, following a rising tide of debt distress in low- and middle-income countries struggling to service their loans from advanced economies.

However, some early signals indicate the U.S. portfolio may be changing, at least in terms of its openness to supporting developing countries with a wider array of financial instruments, including loans, loan guarantees, and blended finance instruments. As discussed in Chapter 2, with the formation of the Development Finance Corporation in 2019, Congressional and executive branch leaders gave the agency a larger spending cap than its predecessors to provide less concessional financing and risk insurance to crowd in more private sector dollars to support overseas development. After a relatively slow start, U.S. Development Finance Corporation investments contributed to a US$20.3 billion increase in USG debt financing (i.e., other official flows) in 2021 compared to the year before. U.S. debt-financed assistance expanded from 4 to 36 percent of its portfolio between 2020 and 2021, substantially altering the ratio of aid to debt.

4.2 Channel of Choice: Giving Bilaterally or via Multilateral Channels

Donor countries also vary in how much they prefer to pool their resources with others in channeling assistance via multilateral development banks, UN agencies, or sector-focused vertical funds versus bilateral aid programs that give directly to counterpart nations. Between 2012 and 2021, five donors were the most multilaterally-minded (e.g., the UK, Portugal, Norway, France, Australia), directing roughly one-third or more of their aid through multilateral channels. This could reflect a recognition among some middle-tier donors (in absolute dollars) that assisting multilateral mechanisms could boost the impact and influence of each dollar spent by pooling resources with other countries that share their interests.[22]

Comparatively, Japan, Germany, the U.S., and New Zealand used multilateral channels least often among the donors we compared. Larger donors, like the U.S., Germany, and Japan, have ample convening power and resources on their own may consider channeling their assistance via multilateral institutions as a dilution of their influence. In the context of the U.S., there is an additional dynamic of historical skepticism and distrust of international organizations like the United Nations among many political leaders and the American public writ large.

The PRC and India are difficult to directly compare along the same lines, as data on their multilateral spending is scattered and sparse. There is some evidence to indicate that the PRC and India have become more prominent multilateral donors in the last decade. A comparative study of 13 emerging economies highlighted that the PRC increased its annual contributions to multilateral development banks by "twenty-fold from $0.1 billion to $2.2 billion" between 2010 and 2019 (Mitchell and Hughes, 2023). Taken together, the five BRICS countries (including the PRC and India) contributed $23.5 billion in core financing to multilateral organizations over that same decade (ibid). Yet, for an

[22] For example, Australia lists the following benefits to itself from working with multilaterals: a platform to extend influence, amplifying reach and scale, reaching global consensus on policies and standards, access to high levels of relevant expertise, improved coordination with the potential to reduce cost for donors, innovative approaches to mobilizing funds and leveraging technical support for the region (DFAT, n.d.).

actor like the PRC, this remains quite small compared with the size of its overall aid program, indicating that most of its assistance is still channeled bilaterally.

The rise of alternative multilateral venues, such as the Asian Infrastructure Bank in 2016 and the New Development Bank in 2015, has sparked controversy in recent years. Led by emerging rather than advanced economies, this new breed of multilaterals appears to have shifted giving patterns. Before the two alternative banks were created, emerging donors like the PRC and India channeled most (41 percent) of their multilateral giving to UN agencies. By contrast, this share fell to 17 percent, more in line with the Development Assistance Committee donor average (16 percent), once the two new organizations were created (ibid).

4.3 Where does the money go?: Geographic Focus

Many donors have a proclivity to work with countries in their backyard—after controlling for income, disasters, and civil war (Bermeo, 2018).[23] There is an implicit logic to this. Donors are likely to have greater familiarity, history, and relationships with their regional neighbors. Political leaders in donor countries may enjoy stronger public support to engage with countries closer to home, as the perceived threats of poverty and instability spilling across borders are higher. Other donors view their 'neighborhood' as not strictly defined by geographic region but based upon shared history, language, and culture. Although they often are not exclusively focused on these countries, they orient a disproportionate share of resources there to amplify their impact.

New Zealand focuses nearly 60 percent of its aid in the Pacific (MFAT, n.d.b.). India prioritizes South Asia, with top recipients located fairly close to home: Bangladesh, Sri Lanka, Nepal, Mauritius, Maldives, Myanmar, and Seychelles (MEA, n.d.a.). Japan's historical interest has been a bit broader in encompassing all of Asia, and its top recipients come from all corners of the region: South (India, Bangladesh), Southeast (Myanmar, Vietnam, Indonesia, Philippines, Cambodia), and Central (Uzbekistan). Australia, similarly, casts its geographic focus as the Indo-Pacific (Purcell, 2023). Portugal's comparative advantage and interest have been working with Portuguese-speaking countries in Africa, as well

[23] Of our comparator countries, Bermeo's analysis found this to be true for actors like Germany, Japan, and New Zealand, which have all favored neighboring countries for foreign aid after 2001.

as Timor-Leste. Similarly, France has historically worked with Francophone West Africa, particularly the Sahel region.

Other donors choose to engage farther afield, operating in a large number of geographic regions simultaneously. In a hyperconnected world, donors recognize that many of the earth's most intractable problems—ideological extremism, irregular migration, communicable disease, physical instability, climate change—rarely respect national boundaries. For some donors, this global reach reflects a sense of their national identity and position in the world, buoyed by somewhat larger development resources in money and staffing to realize this vision in practice.

Norway's assistance footprint aligns with its reputation of engaging in the places of greatest need, with a strong commonality of conflict-affected states across top recipients.[24] The U.S. and the UK are global players with a growing emphasis on Sub-Saharan Africa in the last decade. The PRC has broadened its geographic footprint considerably in recent years, deploying the preponderance of its assistance to sectors related to infrastructure on a global scale.

[24] Norway's top 10 recipients in 2021 were Syrian Arab Republic, Ethiopia, Afghanistan, West Bank and Gaza Strip, Colombia, South Sudan, Somalia, Mozambique, Lebanon and Malawi

5. Performance: How Partner Countries Assess Their Development Partners

Aid in the national interest is not solely about donor countries as the suppliers of development assistance dollars. It must also consider the demand side: what do counterparts in low- and middle-income countries expect of the assistance providers with whom they choose to work? Answering that question is equally important regardless of whether the interest in question is parochial (acquiring direct benefits now), geostrategic (securing leverage later), or completely enlightened (making the world a better place).

In all three cases, donor countries need willing partners to make or influence decisions favorable to advancing their interests, whether selfish or to the mutual benefit. To assess how well positioned the U.S. and our ten comparator donors are in the eyes of counterparts in the Global South, we draw upon the findings of the 2020 Listening to Leaders Survey of nearly 7,000 public, private, and civil society leaders conducted across 141 low- and middle-income countries (Custer et al., 2021). There are two dimensions from the survey of developing country leaders that are valuable indicators in this discussion of national interest.

On the one hand, if a bilateral donor is motivated by geostrategic self-interest, they may more heavily weigh how counterpart nations assess their influence in shaping domestic policy priorities. On the other hand, if a donor is motivated by enlightened self-interest, they may place a higher premium on how counterparts view their helpfulness in the design and delivery of critical development reforms. In reality, we believe that donors have multiple and mixed national interests that jockey for positions and that these interests can evolve, so they should be paying attention to both metrics.

Table 3. Leader Perceptions of Donor Influence and Helpfulness, 2020

Country	Footprint: # of countries reported receiving advice or assistance from the donor	Influence: % of respondents rating donor as influential (rank out of 69)	Helpfulness: % of respondents rating donor as helpful (rank out of 68)
United States	132 countries	83.4 (3rd)	85.6 (7th)
China (PRC)	113 countries	75.8 (8th)	76.6 (32nd)
UK	120 countries	75.5 (10th)	82.9 (15th)
Germany	126 countries	71.4 (15th)	80.9 (21st)
Portugal	25 countries	71.1 (16th)	75.8 (36th)
Japan	131 countries	68.4 (18th)	80.7 (24th)
New Zealand	52 countries	68.4 (19th)	83.8 (11th)
France	114 countries	64.5 (30th)	72.5 (44th)
Australia	76 countries	63.2 (34th)	76.3 (35th)
Norway	101 countries	63.1 (36th)	81.5 (20th)
India	79 countries	56.8 (51st)	70.9 (50th)

Notes: Source data from AidData's Listening to Leaders 2020 survey (Custer et al., 2021). Countries are ordered in descending ranks on the "influence" indicator. Respondents could only assess the influence and helpfulness of donors from whom they reported receiving advice or assistance. Performance ratings were scored on a Likert scale of 1 (not influential/helpful) to 4 (very influential/helpful). Donors were then ranked from 1 (best) to 69 (worst) based on their scores on each measure relative to their peers. The original survey invited leaders to assess a field of up to 100+ bilateral and multilateral aid agencies; countries with multiple agencies were then collapsed to provide a single score.

5.2 Influence: Who do developing country leaders listen to most in setting policy priorities?

Regarding the biggest influencers, something is to be said for being a big spender. Traditionally, the largest bilateral development assistance providers, such as the U.S., the PRC, the UK, and Germany, tend to top the ranks of the most influential donors out of over 100. However, money is not entirely deterministic. Some smaller players command outsized influence relative to the size of their portfolios; this was true for Portugal. Conversely, some big spenders punched below their expected weight on influence: France and Australia. One of the greatest predictors of performance overall was that donors were viewed as more influential (and helpful) when they were seen as aligned with the priorities of counterpart nations: channeling advice and assistance to support the development problems Global South leaders most wanted to solve (Custer et al., 2021).

As discussed in Section 4, some donors choose to go deep in specializing in specific geographies and sectors. In this respect, an overall level of influence may matter less than the degree to which a donor can exert sway over the countries and sectors it deems most aligned with its interests. For example, India and Japan hold the greatest influence among leaders in their respective regions, South Asia and East Asia and the Pacific. Portugal is one of the top ten most influential donors in Sub-Saharan Africa, which has been its priority area of focus in building upon common language and history via colonial ties. Norway has carved out a clear niche as an influential environmental player. This area is strategically aligned with the priorities outlined by the Ministry of Foreign Affairs. Germany was highly influential in the governance sector, aligning with its strategic interest in curbing migration flows. This may reflect its efforts to fight root causes of displacement and instability that become powerful drivers or migrants.

5.3 Helpfulness: Who do developing country leaders turn to to help advance reforms?

The most influential donors were often seen to be the most helpful to their partner countries. The U.S. is the best example of this, as the sole bilateral donor to chart in the top 10 of both the influence and helpfulness performance measures.[25] New Zealand, the U.K., Norway, Germany, and Japan all fell within the top 25 most helpful donors out of 100+. The PRC was the clearest outlier to this trend: it was viewed as substantially less helpful than its donor peers despite its high perceived influence.

In another nod to the power of specialization, middle powers that doubled down on specific sectors and geographies tended to be seen as influential in those spaces and places and quite helpful. This state of play was true, for example, of Australia (rural development), Germany (governance), India (South Asia), and Japan (throughout the Indo-Pacific). However, this specialized focus could also be a question of the relative availability of resources. For larger

[25] The U.S. was ranked 8th overall, but followed only multilateral actors.The U.S. followed the GAVI Alliance, IMF, UNICEF, the World Bank, the EU, the IDB and the Global Fund in that order.

donors like the U.S. it has traditionally had the money and the people power to maintain its support across a breadth of countries and sectors in ways that could be prohibitive for a smaller player.

6. Conclusion

Development assistance can be a difficult and divisive political issue. Donors maintain a tricky balancing act: ensure stability and prosperity at home, avert threats from abroad, improve the country's standing both domestically and internationally, and be good global citizens. In this respect, it is likely unproductive to demonize or lionize aid, depending on whether it is "in the national interest" or not. Countries will act in their self-interest. It is more productive to ensure that they do so more often in ways that are positive-sum, not zero-sum.

In this paper, we provided an overview to understand how donor countries articulate their national interests and how they resource, allocate, and coordinate their aid architectures. We reflected on how well donors positioned themselves with counterpart leaders in the Global South to realize their interests, as well as considered insights and lessons for the U.S. as it seeks to strengthen its development assistance in the future.

Being frank and forthright that development assistance serves multiple national interests is not only the right thing to do, it is the smart thing to do. Strategically, it allows for a more honest and clear-eyed discussion within donor countries about what its development assistance should achieve and why. Operationally, this clarity facilitates coherence regarding how development assistance should intersect with foreign policy, national security, and economic growth. Relationally, it allows donors to level the playing field and work with counterparts from a place of true partnership centered around mutual benefit and shared goals.

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Background Research - Chapter 5

Gates Forum II

(Re)invigorating U.S. Development Assistance: Alternative Models and Options

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[1] The author thanks Dr. Brad Parks (AidData) and Mr. Eric Brown (Gates Global Policy Center) for their peer review comments on an earlier draft, as well as the 41 experts and practitioners that were willing to share their insights in background interviews.

Table of Contents

Executive Summary

This paper surfaces fifteen policy options to reinvigorate U.S. development assistance to better advance America's varied national interests. The options are by no means exhaustive, nor are they necessarily mutually exclusive, though some choose a pathway that closes the door to others. The order does not reflect a preference nor endorsement of the merits of these ideas.

Ten policy options address strategic or structural pain points related to strategic ambiguity, operational incoherence, and a mismatch with market demand. There are two different reform paths that U.S. policymakers might consider. One pathway would reduce the number of existing players, such as folding smaller agencies into larger ones, seconding technical assistance resources from domestic to internationally-focused agencies, or consolidating development assistance activities and resources into a single cabinet-level development agency.

A second pathway would refocus, de-conflict, and coordinate existing players' mandates in ways that improve coordination and coherence. The White House could institute an interagency policy committee in the NSC for development assistance, create a "coordinator" with authority and resources to incentivize improved coordination or deduplicate interagency activities in areas of high convergence. It could also benefit from tasking the NSC to review and make recommendations to Congress and the President regarding the optimal role of the F Bureau (Office of Foreign Assistance Resources). To optimize the deployment of the development assistance budget, the White House could form a task force to adopt an interagency performance-based allocation framework or pilot the formation of American Cooperation Centers in priority countries as a clearinghouse for interagency support more responsive to local demand. Congress could also require the President to produce a development assistance roadmap and annually report on progress.

There are five additional opportunities for less dramatic but consequential reforms to overcome operational-level pain points. The White House could commission a task force to recommend streamlining burdensome regulations and acceptable portfolio-level risk for agencies. It could also require agencies to invest in better metrics to communicate with foreign leaders and publics about the total value of the U.S. contribution to their economies. Congress may consider piloting a responsible concessional lending window to increase sustainable debt financing available to support MCC compacts or prioritizing trade capacity-building assistance ("Aid for Trade") to boost utilization rates of non-reciprocal tariff preference programs. It would also benefit from removing roadblocks that inhibit USG agencies from investing early and often in host government systems to withstand shocks and deliver long-term development.

Acronyms

Defense	U.S. Department of Defense
F Bureau	State Department Office of U.S. Foreign Assistance
MCC	Millennium Challenge Corporation
NSC	National Security Council
NSS	National Security Strategy
OECD	Organization for Cooperation and Development
PEPFAR	President's Emergency Plan for AIDS Relief (PEPFAR)
PRC	People's Republic of China
State	U.S. Department of State
Treasury	U.S. Department of Treasury
USAID	U.S. Agency for International Development
USDFC	U.S. Development Finance Corporation
USG	U.S. Government

This paper aims to answer one critical question:

- How might we reinvigorate development assistance to better advance America's varied national interests (e.g., humanitarian, diplomatic, economic, and security)?

1. Introduction

This piece does not provide a silver bullet or pre-baked, all-in-one solution. Instead, it offers a menu of possible, though non-exhaustive, options to consider as potential building blocks for reform efforts. This paper draws inspiration from several sources: the four companion papers on America's past and present development assistance and approaches used by both close allies and strategic competitors; background interviews with scholars, practitioners, and leaders that have in-depth knowledge of development assistance practice in the U.S. and elsewhere; and past reform efforts proposed or attempted.

Section 2 introduces ten options to address structural or strategic-level changes to strengthen U.S. development assistance. Section 3 identifies five operational-level options that may alleviate pain points or take advantage of untapped opportunities. Many options presented are not mutually exclusive and could be pursued as a set of interlocking recommendations. In other cases, choosing a particular pathway may close the door to others. The ordering of options does not reflect a relative preference or the merits of these ideas.

2. Structural and Strategic-Level Reform Options

The research volume surfaced several structural and strategic pain points in U.S. development assistance: strategic ambiguity, operational incoherence, and a mismatch with market demand. In response, the U.S. government (USG) might consider two different reform paths: (1) reduce the number of existing players and (2) refocus, de-conflict, and coordinate existing players' mandates. Within these paths are ten granular policy options, listed from least to greatest in their ambition and anticipated resistance (or difficulty) to achieve.

These policy options will face execution challenges in that the reforms create winners and losers, depending upon which agencies see themselves as gaining or losing ground in terms of resources and mandates. However, in a competitive marketplace, the time may be right for bipartisan leadership to tackle this thorny consolidation question to ensure that U.S. development assistance is fit for advancing America's national interests.

Reform Path One: Reduce the Number of Existing Players

Option 1: Review and Fold Unique Functions and Mandates of Smaller Agencies into Larger Ones, Beginning with the Inter-American Foundation and African Development Foundation

Context: The Inter-American Foundation and the African Development Foundation are tiny players, each accounting for less than one percent of the development assistance pie. These two entities were created by acts of Congress to support community-led development and market-based solutions in their respective focus regions. Both agencies do admirable work, but given their small size and the U.S. Agency for International Development's focus on localization and tradition of working with non-governmental organizations, their continued relevance could be revisited.[2]

[2] This was also a proposal put forward previously by Konyndyk & Huang (2017), which similarly argued that Inter-AmericanFoundation's and African Development Fund's missions "overlap heavily with USAID's mission and funding mechanisms" raising the question of why these distinct organizations are maintained. However, the Konyndyk & Huang make the same case as we do here that in consolidating these agencies it would be worth identifying any "useful elements of their operating models into USAID, potentially including outside advisory boards and flexible tools for direct grant-making to local civil society groups in developing countries" that could shift towards USAID.

Action: Congress would authorize reviewing the existing activities and mandates of the Inter-American Foundation and African Development Foundation to assess the degree to which these are already incorporated within USAID's remit. Duplicative activities and mandates would be dropped, and the remaining personnel, resources, and activities would be folded into USAID. The Inter-American Foundation and African Development Foundation would be abolished. This option would require Congress to review and modify the relevant legislation (e.g., the *African Development Foundation Act of 1980*, the *Foreign Assistance Act of 1961,* and subsequent amendments) as needed.

Pros: The missions of the Inter-American Foundation and African Development Foundation appear to be compatible with USAID's localization push, and integrating these activities and resources would make it easier to scale. This option is a small step but a confidence-building one for USAID to demonstrate to Congress that it can push forward these responsibilities professionally and in line with U.S. national interests. It is one small dent in trying to claw back the proliferation of the foreign assistance apparatus, and the potential resistance is mitigated because these are smaller, lower visibility players.

Cons: There is a political cost in trying to push forward a reorganization and restructuring effort—past attempts have seldom been successful and absorb a lot of time and effort. They may be less visible, but these two agencies have congressional allies that could disrupt efforts to close them down. There is also an administrative cost in that any organizational change effort can temporarily affect morale and productivity in ways that could hurt outcomes and partnerships with counterpart nations. Furthermore, this could be more trouble than it is worth for a small and bounded reform that does not address larger players.

Option 2: Have Smaller Domestically-Focused Agencies Transition From Operating Independent Technical Assistance Activities and Second Relevant Technical Resources to Larger Ones

Context: Several domestically-focused agencies maintain small international programs in their areas of expertise: combating child and forced labor (Department of Labor); securing nuclear and radioactive materials (Department of Energy); assisting small island states via the Compacts of Free Association (Department of Interior); reducing air and water pollution (Environmental Protection Agency); training of local law enforcement (Department of Justice), advising on public procurement best practices (U.S. Trade and Development

Authority). Agencies like Health and Human Services also implement PEPFAR-funded programs related to HIV and other infectious disease control.

These agencies typically each account for 2-3 percent or less of the overall development assistance pie. It might be useful to revisit how this technical assistance is supplied and whether access to this expertise would be more effectively brokered on an as-needed basis via one or more internationally-focused agencies with better on-the-ground intelligence.

Action: The White House, with support and buy-in from congressional leaders, would conduct a landscape analysis to stocktake the independent development-focused technical assistance efforts supplied by domestic agencies to counterpart nations via small international programs. This assessment would crosswalk technical assistance offerings from the priority domestic agencies to a proximate internationally-focused agency that most closely deals with these issues.[3] Duplicative activities and mandates would be dropped from the domestic agencies' portfolios.

To assist counterpart nations in continuing to benefit from valuable specialized expertise from domestic agencies, the White House would work with Congress to assess whether modifications could be made to the *Intergovernmental Personnel Act Mobility Program*[4] to allow for short-term secondments between federal government agencies to nimbly respond to requests for technical assistance or enact new legislation in this vein, as needed.

Political leaders need not start from scratch as the Intergovernmental Personnel Act Mobility Program offers a helpful starting point in that it already allows for the temporary assignment of specially skilled personnel (without loss of employee rights and benefits) to facilitate cooperation between the Federal Government and subnational governments (e.g., state, local) or other eligible organizations in cases where "this movement serves a sound public purpose" (OPM, n.d.).

Pros: This option preserves access for counterpart nations to the valuable expertise our domestic agencies supply but in a more coordinated and demand-driven way. Similar to option 1, it is a medium-sized dent in trying to

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[3] For example, the Department of Justice's training of local law enforcement is likely adjacent in mandate to either USAID's Center for Democracy, Human Rights, and Governance or the Department of State's Bureau of International Narcotics and Law Enforcement. The Department of Labor's focus on combating child and forced labor could be adjacent to the mandate of either the Department of State's Bureau of Democracy, Human Rights, and Labor or USAID's Democracy, Human Rights, and Governance.

[4] https://www.opm.gov/policy-data-oversight/hiring-information/intergovernment-personnel-act/#url=Provisions

claw back the proliferation of the foreign assistance apparatus. It is also a confidence-building measure to demonstrate the ability of USAID, the Department of State (State), and the Millennium Challenge Corporation (MCC) to play this brokering role well and in line with U.S. national interests.

Potential resistance is mitigated for three reasons: (i) the affected domestic agencies are smaller, lower visibility players within the foreign assistance landscape; (ii) the affected international agencies stand to gain mandate and access to expertise; and (iii) existing legislation exists that could be used with modifications or as a template to facilitate interagency personnel secondments.

Cons: All the same downsides from policy option one carry over here. In addition, there may be new challenges that arise if: (i) interagency secondment agreements become burdensome to arrange and manage; (ii) domestic agencies are unwilling to temporarily second their valuable staff to other agencies to respond to technical assistance requests; (iii) international agencies insist on hiring duplicative expertise to serve within their bureaucracies rather than source from their sister agencies; or (iv) counterpart nations feel that the new arrangement is not meeting their voices and needs.

Option 3: Consolidate Development Assistance Activities and Resources into a Single Cabinet Level Development Agency with a Permanent Seat in the NSC Principals Committee

Context: The greater the number of foreign assistance players, the more difficult the burden for the U.S. leaders to coordinate their activities and ensure that their contributions add up to more than the sum of their parts. Greater numbers of players increase the transaction costs for prospective partners in both the U.S. and counterpart nations, making it more difficult for them to work with the USG. There is the possibility that more agencies are less efficient in using taxpayer dollars as they each must maintain separate overhead expenses. The U.S. is among the worst offenders because foreign assistance activities are fragmented across 20 agencies.

Action: Congress would establish a single premier U.S. Global Development agency that would integrate the disparate short-term humanitarian relief and long-term development assistance across the interagency within one agency home. It would also incorporate responsibility for engaging with multilateral development banks currently assumed by the Department of the Treasury (Treasury). Ideally, this would be a cabinet-level agency, and the head of the agency would be accorded a permanent seat on the National Security Council (NSC) Principals Committee to ensure that development assistance has a consistent voice in foreign policy decision-making.

It could mandate that MCC and PEPFAR be given a reasonable degree of autonomy and independence of action to sustain the basic features of their successful operations but under the umbrella of a unified development agency that represents their voices within NSC deliberations. This option would require Congress to review and modify the *Foreign Assistance Act of 1961*, as subsequently amended, along with other relevant legislation.

Pros: This would streamline the number of development assistance players and simplify coordination and communication channels immensely. It would elevate development alongside defense and diplomacy, not only in rhetoric but institutionalized in structure. It would ensure that a strong development perspective is brought to bear in all foreign policy and national security decision-making. There could also be efficiency gains in removing duplicate administrative costs across multiple agencies involved in foreign assistance and consolidating similar functions.

Cons: In reviewing past reform proposals and relevant reports, this was one of the most frequently recurring recommendations and one that appears to have gone nowhere.[5] Many experts interviewed acknowledged that this might be the right or desirable thing to do but quickly followed up with a cautionary note that this was likely not politically feasible. Alternatively, it would require a massive investment of political capital on the part of senior Congressional leaders from both political parties, as well as the President's leadership, to galvanize enough momentum to push this ambitious reorganization forward.

Moreover, merely moving boxes around on an organogram to create a superagency does not guarantee that the result will be more effective than its predecessors. Additionally, the degree to which a brand-new agency brings coherence to development assistance will depend substantially on the degree to which it has political backing and autonomy of action to assert itself alongside longer-standing agencies with larger resources or powerful allies.

[5] Past reform proposals vary somewhat on the details in terms of whether this should be a sub-cabinet or cabinet-level agency, as well as whether this should be an entirely new agency or a retrofit of USAID itself; however, their thrust often emphasizes the importance of consolidation and elevation of development at minimum through a permanent seat on the NSC (which has traditionally depended upon the president's desire and varies across administrations) and possibly the status of a cabinet agency.

As described in Chapter 3, the People's Republic of China's formation of the China International Development Cooperation Agency did not live up to the vision that it would bring coherence across a fragmented assistance architecture. Much of this failure was because the new agency's authorities were fairly limited, and there was a poor division of labor with the more powerful Commerce and Foreign Affairs ministries.

Reform Path Two: Refocus, Deconflict, and Coordinate the Existing Players' Mandates

Option 4. Institute an interagency policy committee in the NSC for development assistance to develop joint strategies, share best practices, and fund joint activities.

Context: Given the multitude of actors involved in development assistance, it is critical to create venues and incentives for meaningful coordination to minimize duplication, increase synergies, and share insights. The NSC would be the default place to elevate competing foreign assistance priorities, gain clarity about how the 3Ds (development, defense, and diplomacy) fit together to advance U.S. national interests, ensure coherence across many goals and actors, and create a shared understanding of the desired results. There is an existing mechanism for this type of coordination in the U.S., Interagency Policy Committees, but there is not yet one focused on development assistance.[6]

As discussed in Chapter 4 of this research volume, France has two such committees: a Development Council led by the President to build interagency consensus on strategic-level decisions related to development cooperation and an Inter-ministerial Committee for International Cooperation and Development led by the Prime Minister focused on operational-level decisions such as country selection, and aid allocations.

Action: The White House could form an interagency policy committee for development assistance (including humanitarian relief) within the NSC, to be regularly attended by representatives of the relevant internationally-focused agencies (e.g., State, USAID, MCC, Defense) and Treasury (given its

[6] As described by CRS (2022), Interagency Policy Committees are: "established by the National Security Advisor in consultation with the Deputies Committee," attended by representatives holding Assistant Secretary rank or equivalent from the relevant agencies; "chaired by members of the National Security Staff" with relevant subject matter expertise; and tasked with "day-to-day management of national security matters on a given region or topic."

responsibility for the international finance institutions). It could also be helpful to include domestic agencies that provide technical assistance or other specialized support on an as-needed basis or depending upon the topics to be discussed.

To be effective, the committee would need to have a mandate and resources from the President to promote interagency coordination both at a strategic level (articulating joint strategies and plans) and at the operational level by creating the conditions to effectively share information on relevant activities and assets, as well as fund innovative new projects that would provide small-scale development assistance wins and help foster a culture of collaboration. One possible model to consider from another aspect of foreign policy was the Policy Coordination Committee for Strategic Communication formed by President George W. Bush, overseen by the Under Secretary of State for Public Diplomacy and Public Affairs (GAO, 2006).

Pros: The formation of an interagency policy committee within the NSC could send a strong signal about the importance of development assistance to U.S. national security. It will crowd in the participation of relatively senior agency representatives if they believe the President is taking this seriously. Endowing this committee with resources to translate the rhetoric of coordination into the practice of joint projects could help create a culture of collaboration and innovation. This committee could also be the group charged with developing, executing, and monitoring a global development assistance strategy or roadmap idea (see section 3.2) if both options were pursued in tandem.

There could also be an opportunity to facilitate peer-to-peer learning by understanding how the French Development Council and Inter-ministerial Committee of International Cooperation and Development (two coordination venues mandated by the French parliament in 2021) are working in practice and opportunities for replication and adaptation in the U.S.

Cons: Mandating the formation of an interagency policy committee under the auspices of the NSC does ensure that there is theoretically a venue for coordination to happen. However, past efforts indicate that these venues are not always well-utilized. If the committee is formed but lacks sufficient authorities, mandate, or resources to incentivize behavior change across agencies, it will revert to a talk shop at best or be moribund at worst.

Using an innovation fund could siphon away resources into pet projects of limited long-term staying power if there is no good way to document lessons learned and identify ways to scale these approaches beyond the scope of a time-bound, small-scale pilot. Although this option could address within-DC coordination (which admittedly is viewed as the more problematic), it does not alone address how to catalyze better-coordinated action within partner countries.

Option 5. Create a White House "coordinator" for development assistance in the NSC with the authority and resources to incentivize improved coordination across foreign assistance agencies

Context: Establishing a coordinator for U.S. development assistance could help the U.S. think comprehensively and systematically about the problems our development assistance efforts should try to solve and how—looking beyond artificial agency or issue boundaries to take the long view on solutions. Administrations have used policy coordinators (sometimes using different names such as "czars" or "special envoys") to tackle issues as varied as energy, climate, cybersecurity, and drug control. Although some reform proposals suggest that the coordinator should be the USAID administrator, this would constrain the ability of the person in that role to be seen as credible and impartial in building consensus across interagency participants, as well as have the unintended consequence of diminishing USAID's voice if that coordinator is dual-hatted (as a neutral arbiter and representing their agency).

Action: The White House would establish a position dedicated to leading the administration's efforts to strengthen development assistance in ways that advance America's multiple national interests. The coordinator would be tasked with developing a development assistance roadmap responsive to the 2022 National Security Strategy (NSS) and future ones, with input from relevant leaders across the interagency, marshaling resources and partners to implement said strategy, and reporting on progress to the President and Congress.

Pros: If the coordinator has the ear and imprimatur of the President to think differently, work nimbly across organizational boundaries and issue areas, and convene people in ways that help tackle complex problems, this could be a boon for development assistance coherence and effectiveness. It would send a clear signal that development assistance is a presidential priority. As part of the National Security Staff, the coordinator would further underscore that development assistance is relevant and important in broader foreign policy and national security conversations. Without an agency home, the coordinator is well-positioned to rise above each agency's parochial interests.

Cons: Since they lack the resources of a large agency, a coordinator must instead push forward policy change by collaboratively working with and across myriad government agencies, White House committees, and Congress. If backed by the executive branch, this position could stoke adverse reactions from congressional leaders over accountability. Since an effective coordinator must rely heavily on intangibles—the combination of professional will and personal charisma to convene people and motivate action—the utility of the role will ultimately come down to the quality of the person that holds it and what they can get institutionalized via formal policies and legislative action. A coordinator without an agency behind them is at greater risk of rubber-stamping the preferences of agencies with greater power in the relationship by their ability to command independent human and financial resources.

Option 6. Require the President to produce a U.S. development assistance strategy or roadmap to achieve the U.S. NSS and annually report on progress through the appropriations process.

Context: There is a dearth of high-level strategic guidance to ensure that agencies are working together to design and deliver development assistance in ways that advance America's multiple national interests.

Action: Congress would incorporate language into the annual appropriations process that requires the President to work with all relevant agencies to develop a coherent U.S. roadmap or strategy that articulates how development assistance efforts should be resourced, targeted, organized, coordinated, and measured to advance the NSS. Congress could mandate a time period within which the strategy must be produced and the frequency of reporting on progress to Congress tied to future appropriations.

There is precedent for Congress to require the executive branch to produce and report on a strategy to address a national security issue. Previous examples include a strategy to counter anti-U.S. propaganda (*2004 Intelligence Reform and Terrorism Prevention Act*) and a strategy for strategic communications and public diplomacy (*2009 National Defense Authorization Act*).

Pros: Tying the development of an interagency development assistance strategy or roadmap to the congressional appropriations process could increase the urgency and presidential attention to ensure this gets done. Getting to a strategy can be an important means of building consensus and cooperation around shared activities instead of vague notions of coordination. It could also provide an expectation-setting mechanism in provoking a dialogue between Congress and the executive branch about the ends, ways, and means of development assistance. In this same vein, it could become a north star for assessing necessary funding levels and assessing progress at an outcomes rather than inputs level. Moreover, this process could also generate positive externalities to strengthen future NSSs.

Cons: Asking for a strategy does not mean that what is produced will be helpful and be used by the White House or government agencies to direct resources and action. If Congress ignores the requests of agencies to reorient resources from status quo activities or geographies in line with the roadmap, it will serve little practical purpose.

Option 7: Clarify Roles and Deduplicate Interagency Activities in Areas of Highest Convergence —Humanitarian Assistance, Conflict Prevention and Stabilization, Global Health, Food Security

Context: Although fragmentation across agencies is a concern across several sectors, there appears to be a higher concentration of potential duplication in four key areas. Humanitarian assistance involves three interagency players: the Defense's Development Security Cooperation Agency; State's Bureau of Population, Refugees, and Migration; and USAID's Bureau of Humanitarian Assistance. These agencies also maintain their units focused on conflict prevention and stabilization: the Defense's Peacekeeping and Stability Operations Institute; State's Bureau of Conflict and Stabilization Operations; and USAID's Bureau of Conflict Prevention and Stabilization.

Global health programs and funding straddle an even greater number of actors: State's Bureau of Global Health Security and Diplomacy; its Office of the Global AIDS Coordinator and Health Diplomacy (includes PEPFAR); USAID's Bureau of Global Health; and under the purview of the Department of Health and Human Services there is the Center for Disease Control, National Institutes of Health, and Health Resources and Services Administration which implement many PEPFAR programs. Finally, food security involves three players: State's Office of Global Food Security, USAID's Bureau for Resilience and Food Security, and the U.S. Department of Agriculture via its Foreign Agricultural Service.

Action: The White House, with support and buy-in from congressional leaders, would work with the relevant agencies to conduct a landscape analysis to stock-take their respective activities and funding streams in four priority areas (humanitarian assistance, conflict prevention and stabilization, global health, food security). Based upon this assessment, the White House would issue either an executive order or looser strategic guidance stipulating the respective mandates of each agency aligned with their core missions and requiring them to submit an action plan to eliminate duplicative activities and streamline structures within a defined period. The White House and Office of Management and Budget would assess progress against these plans within the President's annual budget request. Congress could also reinforce and institutionalize the results of this process in reauthorizations of foreign assistance programs.

Pros: This process would allow each agency to remain productive in the four priority areas but refocus their efforts in line with their comparative strengths and core missions. For example, this could emphasize State's capabilities for policy-level engagement with diplomatic counterparts and international policymaking bodies; USAID's strengths in coordinating and delivering field programs with other implementers, donors, and local partners; Defense on engaging military counterparts, advising on security considerations, and providing the on-the-ground support in contexts where it is unsafe for civilian personnel to engage alone. This option preserves access for counterpart nations to the valuable expertise our domestic agencies supply but in a more coordinated and demand-driven way.

Cons: Although this policy option does not go so far as some of the options in reform path one to abolish agencies, it nevertheless will mean curtailing agencies' turf, which could provoke substantial resistance that derails reform. Just because bureaus and offices have similar sounding names, missions, or activity sets does not necessarily mean that they are entirely duplicative, and care will need to be taken to avoid losing essential functions and skills. The way this option is framed gives agencies some latitude to self-organize and work with their peers to determine how best to adjudicate respective mandates, structures, and activities, albeit with sign-off by the White House.

In practice, it may take more hands-on intervention from the NSC or the President to adjudicate directly or serve as a point of escalation if agencies cannot agree. Finally, the suggestion to tie progress in developing and implementing the action plans to the President's annual budget request only works to the extent that Congress does not circumvent the process to give agencies what they want regardless of their compliance with the reforms.

Option 8. Revisit the Role of the F Bureau (Office of Foreign Assistance Resources) to Refine its Value Proposition in Supporting Interagency Development Assistance Efforts

Context: The F Bureau was a source of frustration and uncertainty among many government insiders and outside observers interviewed for this research. Some are concerned about what value proposition "F" brings to the table and whether the office functions as another layer of oversight or clearance in an interagency process already heavily laden with them. Others express skepticism over the office's ability to objectively coordinate assistance budgets because of its location within State and that agency's turf battles with USAID. This option is partly informed by the origin story of "F" Bureau[7] but also by opaque budget review and allocation processes that stoke distrust in the criteria and rationale used to make these determinations.

Action: The White House would task the NSC to review the F Bureau's mandate to manage current development assistance budgets, coordinate future requests, and assess past performance. With input from interagency representatives, the NSC would assess how F Bureau has operationalized its responsibilities thus far, including strengths and pain points. The NSC review would make recommendations to the President and Congress about whether and how the F Bureau's value proposition could be strengthened and clarified in the future. For example, the NSC might recommend whether the F Bureau should streamline its budget coordination role and refocus on performance assessment or expand its purview to all relevant agencies involved in development assistance (not limited to USAID and State).

Pros: Revisiting the F Bureau's mandate and functions with interagency input could alleviate frustration for staff caught within burdensome processes or outsiders concerned about opacity. An independent review by the NSC helps raise the assessment above the fray of interagency turf battles. It provides a fresh perspective on how a clearer value proposition might be defined for F Bureau.

Cons: The utility of the office still depends upon its ability to add meaningful value rather than merely another layer of oversight or clearance to the process of allocating development assistance resources. Even if the NSC conducts a review,

[7] The George W. Bush administration moved policy, planning, and budget functions previously at USAID over to the State Department.

it does not necessarily guarantee that agency parochial interests will be kept at bay, which could disrupt the integrity of the process. Moreover, it is unclear whether Congress would be willing to listen to the NSC's recommendations and endorse any changes to the F Bureau's mandate.

Option 9. Adopt an Interagency Performance-Based Allocation Framework for Development Assistance to Optimize Resources Against Measurable and Transparent Objectives

Context: U.S. development assistance is a chaotic marketplace—a proliferation of actors jockey for limited resources, political leaders make trade-offs when adjudicating between multiple objectives, policy entrepreneurs and partner countries freelance to galvanize support for pet priorities, and bureaucrats have a vested interest in maintaining the status quo as the path of least resistance. The result is often suboptimal, as the outcomes are dictated by the most influential voices, using opaque decision-making criteria, and with little accountability for results. Large intergovernmental organizations have a tried-and-tested solution for navigating the cacophony of these voices. They optimize their resources to best advance agreed-upon objectives: performance-based allocation frameworks. These frameworks formalize agreed-upon allocation criteria, using measurable indicators and transparent weights with inputs from policymakers to optimize resourcing to advance multiple objectives.

Action: The White House, with buy-in and consultation from Congressional leaders, would form a Task Force composed of interagency, private sector, and congressional representatives to study performance-based allocation frameworks used at the agency level within the U.S. as well as those from leading intergovernmental organizations. Task Force members would recommend to the President and Congress how the USG could establish an interagency-wide performance-based allocation framework to guide resource allocation for U.S. development assistance. If combined with other policy options, oversight of the process and responsibility for its outcomes might be vested in an Interagency Policy Committee or Coordinator for Development Assistance under the NSC.

Pros: The benefit of a performance-based allocation framework is that it is pragmatic: it works "with the grain" in accepting that disparate stakeholders will have varying preferences but creates order and builds consensus through a transparent process that optimizes resources against agreed-upon objectives.

The USG need not start from ground zero on this. The MCC is one example of a U.S. agency with an existing performance-based allocation to inform compact investment decisions under the oversight of its board. There is a broader corpus of examples among multilateral organizations like the World Bank's International Development Assistance window, the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria, the African Development Bank, the International Fund for Agricultural Development, among others.

Cons: Performance-based allocation frameworks are not infallible. Seemingly small design choices (e.g., rules, measures, exceptions, exclusions) can have far-reaching and unintended consequences, such as privileging easier-to-measure criteria over other equally important intangibles or leading to a fragmentation of resources spread too diffusely for a sizable impact. Moreover, performance-based allocations may be better positioned for country-based allocations than for programming requiring coordination across multiple countries or regions (ibid). In this respect, performance-based allocation frameworks require active and adaptive management to continuously review and ensure that the underlying framework is fit for purpose.

Option 10. Pilot the Formation of American Cooperation Centers within a Select Number of Priority Countries as a Clearinghouse for Interagency Support Responsive to Local Demand

Context: The bewildering array of agencies involved in development assistance not only creates coordination challenges in Washington but also handicaps effective USG engagement with counterparts on the ground within low- and middle-income countries. As described in Chapter 1, as many as 15-17 U.S. government agencies can operate within a single country's borders at any given time. With each additional agency, the operational burden for in-country counterparts (e.g., government officials, donor representatives, civil society, and private sector representatives) compounds, and the USG's ability to make a visible and compelling offer erodes.

This last point is underscored by the fact that leaders in the regions where the USG has placed an outsized emphasis on resources and strategies (e.g., Sub-Saharan Africa, Indo-Pacific) see the U.S. as less active in supporting development than strategic competitors like the PRC. Portugal's approach to setting up Portuguese Cooperation Centers in priority countries (see Chapter 4) could provide an interesting model to develop something analogous for the U.S.

Action: The White House would pilot the design and roll-out of American Cooperation Centers to serve as a unifying face, voice, and clearinghouse for all development assistance activities across the interagency in 10 high-priority countries of strategic importance to U.S. diplomatic, economic, security, and humanitarian interests. The American Cooperation Centers would oversee the relevant country embassies and represent the interagency in working with local counterparts on a demand-responsive development strategy. This strategy would focus USG efforts and resources in the sweet spot where host government priorities and USG objectives best align.

The American Cooperation Centers would then work with agencies back in DC and embassy personnel to source the most appropriate technical expertise and financing to support the unified country strategy. To get the incentives right, the White House could set aside flexible funds to support signature activities jointly determined by the American Cooperation Centers and host government counterparts, aligned with the approved country strategy. These funds would emphasize accountability for outcomes through performance-based allocation criteria against agreed-upon goals.

Pros: There are several prospective benefits of the American Cooperation Center approach. It streamlines the burden of coordination for in-country actors to engage with USG counterparts. It provides a test case to assess whether and how a more demand-responsive strategy in engaging countries in areas of mutual interest increases the visibility and attractiveness of the U.S. offer in the eyes of our counterparts. Providing access to flexible funding for ten pilot countries to be allocated using performance-based criteria and in line with agreed-upon country strategies is a low-stakes way to experiment with a bigger question for the future of U.S. assistance: does giving local USG representatives more discretion to channel funding in ways that are responsive to counterpart priorities and aligned with desired outcomes generate better results than the alternative?

Cons: Any time you add another actor into the equation, there is the risk that it only adds complexity and reduces the effectiveness of existing coordination efforts. Therefore, the utility of the American Cooperation Centers will depend on the strength of their mandate—to not only implement projects, but allocate resources and set direction in collaboration with local counterparts. This option will require some ceding of authority and control for DC-based agencies, Congressional appropriators, and even embassy personnel. The success or failure of this option will hinge upon the selection of the pilot countries, the personnel assigned to the American Cooperation Centers, and how the flexible fund is set up to balance accountability for results with flexibility in implementation.

3. Operational-Level Reform Options

The menu of policy options in the previous section offers diverse solutions for consideration but share a commonality: each would fundamentally change the architecture of U.S. development assistance efforts at either a structural or strategic level. However, there are also opportunities for less dramatic but still consequential reforms to improve how the U.S. operationalizes its development assistance efforts in synergy with other instruments of national power in ways that advance our national interests, deliver effective results, and respond to local demand. These five operational-level reform options are illustrative of cross-cutting pain points arising across the various chapters of this research volume, though they are by no means exhaustive.

Option 11. Commission a Task Force to Streamline Federal Assistance Regulations and Recommend Predetermined Levels of Acceptable Portfolio-Level Risk

Context: Systems to procure, manage, monitor, and report on development assistance activities are not the sexiest thing to focus on, and yet they are all too often a major stumbling block that derails any number of well-intended strategic initiatives—from delivering assistance in dynamic contexts of crisis and conflict (Chapter 3) to brokering effective private sector partnerships (Chapter 2) and following through on commitments to channel more aid dollars through local organizations in developing countries (Chapter 1). Holding agencies accountable for the responsible use of taxpayer money is reasonable. However, runaway procurement and reporting requirements spawn perverse incentives and unintended consequences. An audit-driven culture rewards compliance, is risk-intolerant, incentivizes consistency over innovation, and deters potential partners from engaging. At the heart of this byzantine empire lies the Federal Acquisition Regulation.

Action: The White House would form a Task Force composed of interagency, private sector, and congressional representatives to assess the current corpus of interagency acquisition, procurement, and reporting regulations relevant to development assistance agencies. Task Force members would recommend to the President and Congress how the USG could optimally streamline these systems, beginning with but not limited to the FAR, from the perspective of minimum viable oversight that safeguards taxpayer dollars but removes duplicative levels of clearance or documentation. In addition, Task Force members would study interagency approaches to risk assessment and management, compared with other donors and the private sector, making recommendations on acceptable levels of risk across an agency's portfolio that could be preapproved through the appropriations process.

Option 12. Pilot a Responsible Concessional Lending Window Administered by MCC to Increase Sustainable Debt Financing Available to Support Compacts

Context: Compared to other development partners, including the OECD's Development Assistance Committee club of advanced economies (e.g., France, Germany, Japan) and emerging economies (e.g., the PRC), the U.S. tends to rely heavily on grants rather than loans and other financial products. This status quo artificially limits the capital that America can deploy to advance shared interests with its partners. However, this was not always the case: the USG allocated approximately one-third of its total military and economic assistance in loans through the late 1980s until the Heavily Indebted Poor Countries initiative changed the status quo.

This episode prompted the U.S. to shift most of its assistance to a grant-based model. Decades later, there is an opportunity to revisit this assumption, and there is already some movement in that direction. The U.S. DFC is beginning to pick up steam, increasing the share of non-concessional lending and equity in the U.S. development assistance portfolio. In addition, the U.S. could also consider how to responsibly expand concessional lending (at no- or low-interest rates) and sovereign loan guarantees alongside grants to support development assistance in other countries while taking steps to ensure that these debts are sustainable.

Action: Congress could revisit and expand the authorities of an agency like the Millennium Challenge Corporation to pilot the launch of a concessional lending window (and endow it with resources to finance it) to expand the total resources available to countries participating in its compacts. Congress could mandate that the MCC set predetermined criteria for the conditions under which a country should be eligible for concessional lending (as opposed to its conventional grants) and identify the indicators it will use to monitor and safeguard against bad outcomes (e.g., the borrower's inability to service and repay debts).

Option 13. Prioritize Trade Capacity Building Assistance ("Aid for Trade") in Value-Add Industries within Reauthorizations of Non-Reciprocal Tariff Programs to Boost Utilization Rates and Impact

Context: Non-reciprocal tariff preference programs like the Generalized System of Preferences (119 eligible countries) and the African Growth Opportunity Act (roughly 40 eligible countries) allow developing countries to gain duty-free access to the U.S. export market. These trade-based mechanisms can be a force multiplier with development assistance supporting low- and middle-income countries to diversify their economies and move into higher value-added industries. However, these potential benefits are not always realized to the degree they could be if eligible countries fail to increase their exports under the duty-free categories (due to lack of technical capacity, resources, or broader business climate issues).

Action: Congress should prioritize renewing the Generalized System of Preferences (now lapsed three years) and the African Growth Opportunity Act (upcoming in 2025). To derive the biggest impact possible, it should mandate that USG agencies like USAID and MCC (large suppliers of trade capacity-building assistance programs) optimize the targeting of their aid for trade efforts towards the Generalized System of Preferences and African Growth Opportunity Act eligible countries and sectors. Moreover, as part of the reauthorization, Congress could direct USAID and MCC to develop focused strategies and targeted advisory services to help eligible countries overcome barriers to participation in the Generalized System of Preferences and African Growth Opportunity Act and boost their utilization rates (i.e., the percentage of overall exports to the U.S. from the eligible country in covered product categories).

Option 14. Invest in Whole-of-Government Metrics to Help Policymakers Communicate with Foreign Publics About the Total Value of the U.S. Contribution to Their Economies

Context: The USG is the largest supplier of humanitarian assistance and the second-largest provider of overall development assistance (after the PRC). Compared to its peers, the U.S. has one of the broadest development assistance portfolios across sectors and geographies. In addition, a more expansive set of American private sector companies and philanthropies contribute to mobilizing resources, implementing projects, delivering services, and generating economic value in ways that benefit the U.S. and counterpart nations alike. However, something is getting lost in translation. American policymakers and diplomats struggle to convincingly communicate with foreign leaders and publics regarding how these disparate activities add up to a more sizable contribution that benefits their societies.

Action: The White House could help agencies identify and scale promising approaches to develop quantifiable metrics on the total resource envelope America mobilizes in support of development in each country, region, and sector—including both state-directed bilateral assistance, contributions via multilateral organizations, and the value of financing and in-kind support mobilized by U.S. private sector companies and philanthropies.[8] These metrics could then be combined with data on key outcomes of interest to counterpart nations, such as jobs created and lives impacted. These metrics could become a powerful tool to shape evidence-based narratives and build shared understanding with foreign publics and leaders about the many ways U.S. assistance touches and improves their lives.

Option 15. Where Possible, Invest Early and Often in Host Government Systems to Withstand Short-Term Shocks and Deliver Long-Term Development Sustainably

Context: The USG channels only a minuscule amount of its assistance through local governments, even in better-governed countries, instead relying heavily on local or American non-governmental organizations and other implementers. In cases where counterpart leaders are unwilling or unable to ensure that American taxpayer dollars will be used appropriately and effectively in line with their intended purpose, it is entirely reasonable for the U.S. to work around rather than through the government. However, this has become a default for most U.S. assistance efforts—whether supplying humanitarian relief in crisis and conflict or delivering projects aimed at longer-term development outcomes. Not only is this unsustainable in setting up parallel systems that cannot or will not be maintained without U.S. financing, but this hamfisted approach does little to win America friends and allies to advance diplomatic and security aims.

[8] The author discloses that AidData was involved in piloting an approach along these lines with the State Department for a project focused on approximating the value of U.S. contribution to Kenya's growth and prosperity over a ten-year period.

Action: Congress should modify future budget appropriations to remove implicit or stated roadblocks to channeling a more significant share of USG development assistance funds through host government agencies (project-based or general budget support). To ensure adequate safeguards for the appropriate use of taxpayer dollars, executive branch agencies could recommend standardized performance-based criteria (to be evaluated and updated annually) to determine which countries would be eligible for government-to-government assistance and at what levels. In parallel, executive branch agencies should consider expanding contributions to multi-donor trust funds and other modalities within international finance institutions like the World Bank and International Monetary Fund that strengthen the financial capacity of partner countries to responsibly mobilize and manage public resources (e.g., domestic resource mobilization, public financial management). Particular attention should also be paid to channeling resources via host country governments in crisis and conflict, beginning with operationalizing the Global Fragility Act pilot country plans.

4. References

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