Background Research - Chapter 5

Gates Forum II

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

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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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