



# Aid for a Purpose: Show Me the Goal, Then Show Me the Money

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## Summary

The current process for writing annual budgets, as exercised by the State Department, the United States Agency for International Development (USAID), and Congress does a poor job of linking aid resources to the purposes of the aid. It relies on carving up a pie by sector—agriculture, education, water, health, and so on—rather than letting objectives guide resource allocation. This has implications for policy sustainability, reliability, and success. If the objectives of U.S. aid are not clearly identified and articulated, the means (actual aid programs) risk being misdirected and rendered unsustainable, with little impact on the ends (the outcomes we seek to achieve).

In this paper, Connie Veillette presents the problems that beset the existing process for budgeting and resource allocation, and argue that the process is backwards. Instead of using baseline budgets and existing resources to dictate objectives, policymakers should clearly define and articulate the purposes of aid up front; then a process for matching resources to objectives can begin.

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The USAID Monitor provides timely analysis and research on the U.S. Agency for International Development and the issues affecting its ability to live up to the administration's pledge to make it the world's premier development agency. It is part of CGD's Rethinking U.S. Foreign Assistance program that tracks efforts to reform aid programs and improve aid effectiveness.



## Aid for a Purpose: Show Me the Goal, Then Show Me the Money

The current process for writing annual budgets, as exercised by the State Department, the United States Agency for International Development (USAID), and Congress does a poor job of linking aid resources to the purposes of the aid. It relies on carving up a pie by sector—agriculture, education, water, health, and so on—rather than letting objectives guide resource allocation. This has implications for policy sustainability, reliability, and success. If the objectives of U.S. aid are not clearly identified and articulated, the means (actual aid programs) risk being misdirected and rendered unsustainable, with little impact on the ends (the outcomes we seek to achieve). Simply, if we don't know where we are going, we should not be surprised when we don't get there.

Foreign assistance programs have had a checkered history of success and support. Aid advocates often find themselves playing defense in explaining the value of providing economic and military assistance to other nations. The American public believes aid consumes a quarter of the federal budget rather than its actual 1 percent.<sup>1</sup> In tough budget times, foreign aid is first on the chopping block despite its meager contribution in reducing federal spending. In the process, the benefits of foreign assistance get overlooked.

Much of the public's dissatisfaction with assistance is due to missing or unclear objectives. When the public knows the purpose of international programs, it is often supportive and willing to make a reasonable financial investment to address global problems. Ask Americans if the United States should give assistance to foreign countries and the answer will be no. Ask them if the United States should help the former Soviet Union dismantle aging nuclear facilities and the answer is a resounding yes. Ask them if the United States should help ensure that no child goes hungry or dies from a curable disease and the answer will be yes.<sup>2</sup>

In the midst of a precarious economic recovery and growing concerns with U.S. debt and budget deficits, the time is right for actors across the political spectrum to embrace new ways of doing business with regard to U.S. foreign assistance programs.

A new approach would entail achieving a renewed consensus on the rationale of aid programs as investments in global peace, prosperity, and stability. More importantly, **it would require first**

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<sup>1</sup> A World Public Opinion poll conducted in November 2010 reported that those surveyed believe that 25 percent of the federal budget goes for foreign aid and that 10 percent would be a more appropriate share.

[http://www.worldpublicopinion.org/pipa/pdf/nov10/ForeignAid\\_Nov10\\_quaire.pdf](http://www.worldpublicopinion.org/pipa/pdf/nov10/ForeignAid_Nov10_quaire.pdf).

<sup>2</sup> A number of surveys show that when the public is asked about specific goals, such as helping those who are "in great need" or alleviating hunger or poverty, levels of support rise significantly.

[http://www.pipa.org/OnlineReports/ForeignAid/ForeignAid\\_Feb01/ForeignAid\\_Feb01\\_rpt.pdf](http://www.pipa.org/OnlineReports/ForeignAid/ForeignAid_Feb01/ForeignAid_Feb01_rpt.pdf)

<http://www.kff.org/kaiserpolls/posr092410nr.cfm>

**establishing the objectives we seek to achieve through foreign assistance and then crafting integrated sectoral strategies that reflect those objectives.** The benefits would be more effective and efficient use of federal funds, a more flexible and responsive structure, and greater public support for aid. And, the United States might even solve some pressing global problems along the way.

In this paper, I present the problems that beset the existing process for budgeting and resource allocation, and argue that the process is backwards. Instead of using baseline budgets and existing resources to dictate objectives, policymakers should clearly define and articulate the purposes of aid up front; then a process for matching resources to objectives can begin. Defining those objectives will require collaboration between branches of government and would be advanced by a new legislative framework to govern U.S. foreign assistance.

### **Why the need for a new approach?**

Foreign assistance should be viewed as investments. U.S. aid investments promote global stability, and U.S. national security. Global stability hinges on a world composed of thriving and resilient economies and peaceful nations in which alleviating human suffering is a priority. Investments need to be highly focused, selective, and evidence-based.

Individual investors expect their portfolios to have different rates of return over varying periods of time. In the same way, aid programs should be designed with an idea of when more immediate returns are expected, such as with building goodwill or training militaries or law enforcement, and when longer-term results are more likely, such as with promoting broad-based economic growth and reducing poverty. Varied investments will have different and accepted levels of risk. Some aid investments in complex security environments, for example, will carry a higher risk. But, that risk can be defended because of the potentially higher payoff or because of what the alternative might be if no investment is made.

Our investments need to focus on the outcomes the United States wishes to see – the objectives of our assistance. U.S. assistance will be more effective and efficient if it focuses on certain achievable goals that support U.S. national interests. As foreign aid budgets of major donors contract amid concerns of growing national debt and budget deficits, it is imperative that the investments we make reflect the most efficient use of available funding for foreign assistance programs. If investments do not produce results within the timeframe in which results would be expected, then those resources should be redirected to better-performing investments.

### **What's wrong with status quo?**

It is interesting to note an observation made by the HELP Commission in 2007:

“For nearly 22 months, this bipartisan Commission interviewed, at home and abroad, many of the world’s foremost experts on U.S. foreign assistance...not one person appeared before this Commission to defend the status quo.”<sup>3</sup>

The process for determining aid resource allocations is backwards. Instead of starting with an objective and then assessing what is needed for success, a baseline budget representing the previous year’s funding levels of various sectors and countries is used to determine what is available in the next year for any given problem or objective. Policy decisions are then contingent on the availability of resources with too little attention paid to objectives. Allocation decisions on how much to invest in any given sector – health, education, agriculture, etc. – bear little relation to what is needed to achieve global food security or resilient economies, for example. Congressional earmarks, with little regard for objectives, are symptoms of and simultaneously contribute to a dysfunctional allocation and policymaking process.

The use of sectoral frames of reference has done much to damage aid architecture and programming. It has produced congressional earmarks, driven policies based on the availability of dollars rather than country or regional strategies, and resulted in political compromises that do not reflect sound development approaches. The growth in the number of government agencies that manage some type of foreign assistance only exacerbates the problem as each agency has its own domestic constituency that greatly influences how budgets are crafted.

The following problems contribute to ineffective aid programs.

### **1. Putting the Cart before the Horse**

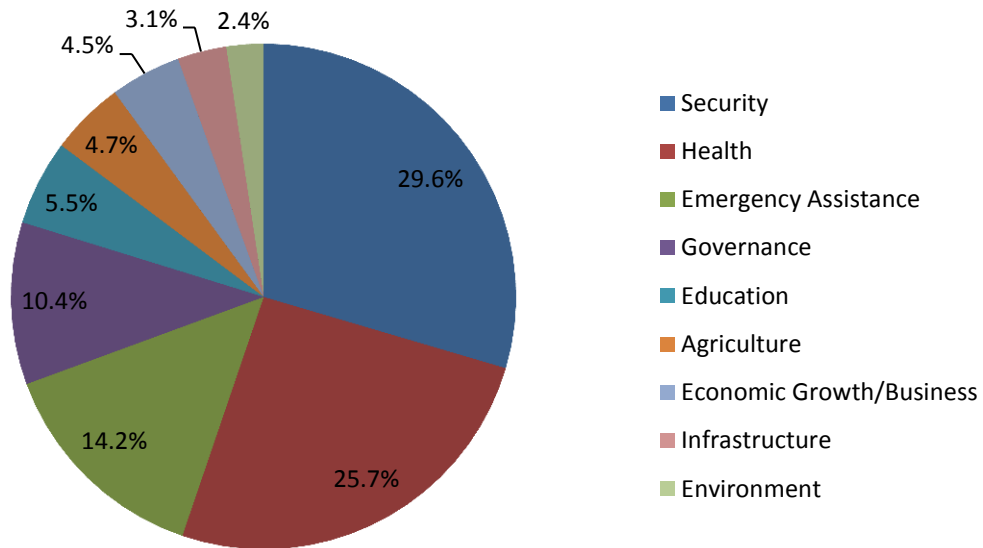
Sectors, rather than objectives, drive resource allocations. Administrations submit, and Congress considers, annual budgets for foreign assistance based on an account structure that lends itself to sectoral dissection. Budgets for education, health, agriculture, water, and other sectors are compared to previous years’ funding levels and are scrutinized by Congress and stakeholders for who wins or loses funding. Lobbying campaigns devote much time and energy to influencing sector allocations as the budget is written and then debated by Congress. Rarely are objectives articulated or used to guide sector allocations. The exceptions are some presidential initiatives that may be cross-cutting in nature. But even then, the sectoral shuffle can often overtake the initiatives’ objectives.

Resources allocated for various sectors are seemingly arbitrarily assigned in annual budget processes. Those resource allocations can be completely divorced from any assessment of need or appropriateness. In 2010, the State Department and USAID allocated the majority of funds to security, health, emergency assistance, and governance (see figure 1).

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<sup>3</sup> The HELP Commission was established by Congress in 2003 through the perseverance of Rep. Frank Wolf (R-VA) and charged with making recommendations on improving aid effectiveness. The full report is available here: [http://www.americanprogress.org/issues/2007/12/pdf/beyond\\_assistance.pdf](http://www.americanprogress.org/issues/2007/12/pdf/beyond_assistance.pdf).

**Figure 1. USAID and State Department Aid, Sectoral Distribution, 2010.**



Source: U.S. Foreign Assistance Dashboard

Using a top-down budgeting process, in which the field is informed of sector funding and then must design programs to fit, the resulting sector distribution above may not reflect actual need or the strategies needed to accomplish country-based objectives. Without evidence of what works or what's needed, how can we say that health programs deserve 25 percent of the aid budget, while education, economic growth and the environment each merit less than 6 percent?

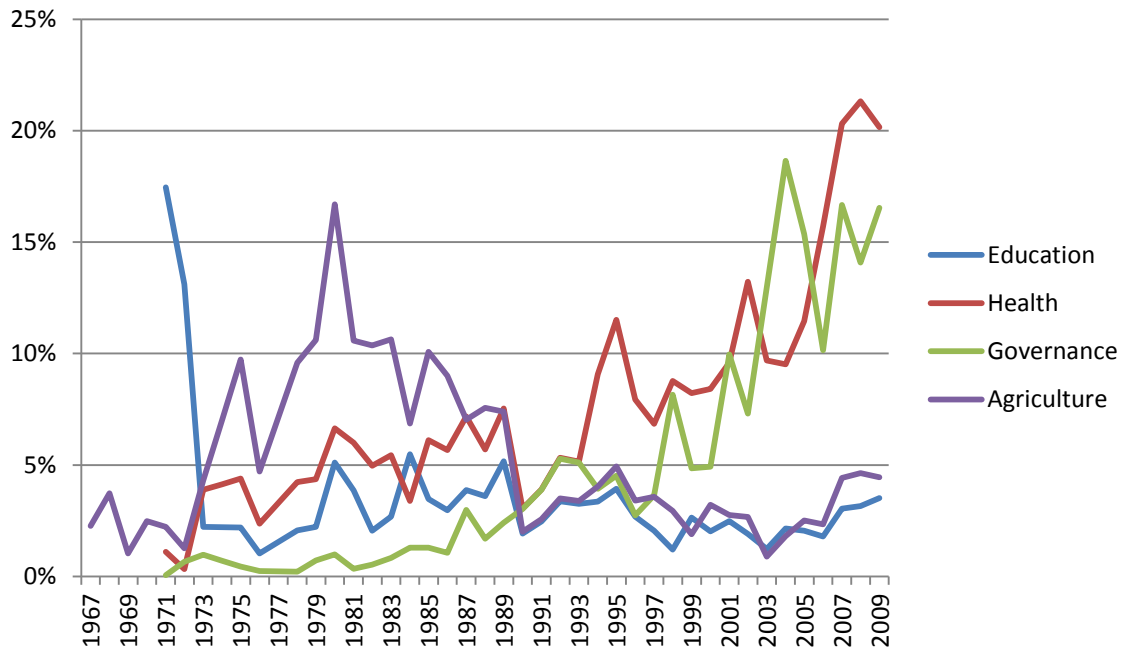
## 2. Sectors Go In and Out of Fashion

Sector allocations are unstable over time, depending on the whims of policy makers and what's in the news, fashionable in development circles, or claimed to be in the national interest. A focus on any particular sector can come into vogue and evaporate just as quickly. Since 2002, assistance for two sectors—health and democracy & governance—has steadily increased while others have stagnated.

When aid budgets are expanding, sectoral competition can be accommodated with little blood spilt. When aid budgets are shrinking, some sectors are squeezed more to accommodate others. Those that see reduced funding may represent areas that are simply not in vogue in development circles. Agriculture fell out of favor in the 1990s and 2000s but is now perceived in many development circles as critical to building sustainable, resilient economies and achieving global food security. The United States got out of major infrastructure projects because of the challenges in managing large, multiyear projects, until a recently created program, the Millennium Challenge Corporation, devised a new bargain with Congress. Health sector funding,

driven by the U.S. President’s Emergency Plan for AIDS Relief (PEPFAR), increased in response to the HIV/AIDS pandemic that became both a humanitarian and a perceived national security imperative, but questions are now arising about the sustainability of such levels in the future.<sup>4</sup>

**Figure 2. Selected Sector Funding as a Percentage Share of Total U.S. ODA Commitments, 1967–2009**



Source: OECD/DAC.

As a share of official development assistance, sector allocations fluctuate over time (see figure 2). Even though food security has remained a prominent development problem in many developing countries, resources devoted to agriculture have fluctuated since the 1980s. Once comprising 17 percent of U.S. assistance in 1980, agriculture steadily declined to roughly 4 percent in 2009 after having fallen to an all-time low of 1 percent in 2003. Resources for health, traditionally allocated between 6 percent and 7 percent of ODA, launched on an upward trajectory with the inception of PEPFAR, reaching more than 20 percent since 2007. The embrace of assistance for governance and civil society shows a similar path, from an average of 1.3 percent in the 1980s to 4.5 percent in the 1990s, and then reaching an average high of 14 percent since 2000.

Administrations try to overcome the inertia in changing sector funding streams by introducing presidential initiatives that can be either sector specific themselves or cross-cutting. But sector

<sup>4</sup> See Mead Over, “Sustaining and Leveraging AIDS Treatment,” CGD Essay (Center for Global Development, 2010), [www.cgdev.org/content/publications/detail/1424173](http://www.cgdev.org/content/publications/detail/1424173) and Princeton Lyman and Stephen Wittels, “No Good Deed Goes Unpunished,” *Foreign Affairs* July/August 2010.

competition can often derail these initiatives. In 2007, the Bush administration's budget identified seven initiatives for Africa alone—PEPFAR,<sup>5</sup> the Initiative to End Hunger in Africa (IEHA), the Africa Education Initiative, the African Global Competitiveness Initiative, (AGCI), the Congo Basin Forest Partnership (CBFB), the President's Malaria Initiative (PMI), and the Women's Justice and Empowerment Initiative (WJEI).

One would expect that funding for health, agriculture, education, trade, private-sector competitiveness, and the environment would increase to advance these initiatives. But the budget request actually proposed decreased funding for many of these sectors in Africa. Education was cut by 26 percent, agriculture by 35 percent, and the environment by 19 percent. Trade and investment was proposed for level funding. The two winners, PEPFAR and malaria, increased by 167 percent and 101 percent respectively. PEPFAR funding increased by more than \$2 billion in Africa, reflecting a ramping up of the program.

It is clear that the Bush administration's budget process was unable to correlate resources to aid focal areas. This is true despite the administration having instituted the new F process that was aimed at better linking resource allocations to a detailed sushi list of objectives.<sup>6</sup>

## **Selling What's in Fashion—Advocating for Aid Sectors**

Congressional earmarks, for the most part, do not originate in Congress.<sup>7</sup> They represent ideas brought to members of Congress and congressional committees by a growing number of private actors—implementing partners and advocacy organizations. As a general rule, these

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<sup>5</sup> PEPFAR is a global program, but 20 of its 31 focus countries are in sub-Saharan Africa.

<sup>6</sup> The Bush Administration created a framework in 2006, called the F process and run by the newly created F Bureau at the State Department, that sought to link aid to objectives. However, reality didn't match up with its rhetoric and it was roundly criticized. The F process confused objectives with sectors. The F Bureau created what was called a sushi list containing dozens of objectives, priorities, elements, and sub-elements rather than identifying a few goals around which to formulate strategies. It was a top-down process in which USAID missions did not meaningfully participate in its design. Instead, missions were directed to force fit their programs into the many categories of assistance on the sushi list, an exercise that was considered time-consuming and frustrating.

<sup>7</sup> House Rule XXI, clause 9 (of the 111<sup>th</sup> Congress) explicitly defines congressional earmark as "a provision or report language included primarily at the request of a Member, Delegate, Resident Commissioner, or Senator providing, authorizing or recommending a specific amount of discretionary budget authority, credit authority, or other spending authority for a contract, loan, loan guarantee, grant, loan authority, or other expenditure with or to an entity, or targeted to a specific State, locality or congressional district, other than through a statutory or administrative formula driven or competitive award process." By this definition, the State/Foreign Operations bill does not contain any earmarks. However, most observers believe that the many congressional directives on where and for what purpose funds should be spent represent earmarks that constrain the agency's ability to allocate funds.



organizations play a positive role in educating members on foreign policy issues, the importance of foreign assistance, and in lobbying for consistent funding of the international affairs budget.

There is also a dysfunctional side to the lobbying business. The focus of many organizations is centered on work in specific sectors. In addition, there are advocacy groups that do not engage directly in development but are proponents of particular approaches or sectors. A review of USAID data shows the top 40 implementers of aid, of which 19 are non-governmental organizations.<sup>8</sup> Fourteen of those identify health as a primary focal area for their work, and ten identify governance. Only six point to education, and seven to agriculture, as fitting into their primary missions.<sup>9</sup> Certainly, the number of implementing partners working in health and governance reflects the increase in budgets for those two sectors. However, it is reasonable to expect that organizations that have built up expertise in some sectors will exert influence to keep those same sectors funded at constant, or growing, levels.

Congressional priorities can differ from those of the administration. When Congress earmarks its priorities, the result is that other sectors are shortchanged, and agencies do not have the flexibility to adjust resources in response to changing global circumstances.

In testimony before the House Foreign Operations Appropriations Subcommittee in 2005, USAID administrator Andrew Natsios contended that development contractors, NGOs, trade associations, universities, and other groups lobby Congress to earmark higher funds for the assistance they manage. Sectors that get shortchanged have included agriculture, infrastructure, institutional capacity building, and governance. The non-earmarked funds are squeezed as a result, making it difficult to design comprehensive and integrated development strategies. Looking at the FY2005 appropriations bill, one indeed sees this scenario play out with congressional cuts in requested levels for agriculture, environment, and economic growth, but significant increases over requested levels for child survival, vulnerable children, other infectious diseases, and family planning, areas in which Congress has been supportive.<sup>10</sup>

## **Congress Buys What's in Fashion**

While administrations' budgets are submitted based on an account and country framework, certain priority sectors will often be highlighted. Congress, however, is more straightforward in its approach. In the FY2010 appropriation for State and Foreign Operations, Congress outlined its sector preferences quite clearly.

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<sup>8</sup>USAID: *Where Does USAID's Money Go?* <http://www.usaid.gov/policy/budget/money/>

<sup>9</sup> Based on a review of websites of groups identified by USAID as top implementers. Sectors are those that are mentioned as constituting a primary focus in mission statements or "What We Do" pages.

<sup>10</sup> Larry Nowels and Susan Epstein, Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2006 Appropriations.

This level of earmarking out of the bill’s Title III Bilateral Economic Assistance represents 66.5 percent of total funding provided for development activities.<sup>11</sup> The Economic Support Fund was funded at \$6.34 billion, but \$6.16 billion fell under both country- and sector-specific directives, leaving just \$175 million, or 2.8 percent of the total, left for the discretion of the secretary of state and USAID administrator.

**Table 1. Earmarks by Sector in the FY2010 State Foreign Operations Bill**

<b>Sector</b>	<b>Total (USD thousands)</b>
Food Security and Agricultural Development	1,169.8
Water	315.0
Basic Education	925.0
Higher Education	200.0
Microenterprise/microfinance	265.0
Climate Change/Environment	1,257.2
<i>Adaption</i>	122.8
<i>Clean Energy</i>	108.5
<i>Sustainable Landscapes</i>	74.5
<i>Biodiversity</i>	205.0
Global Health and Child Survival <sup>12</sup>	7,779.0
<b>Total</b>	<b>11,911.0</b>

The entire amount appropriated for Global Health and Child Survival was further earmarked for specific activities:

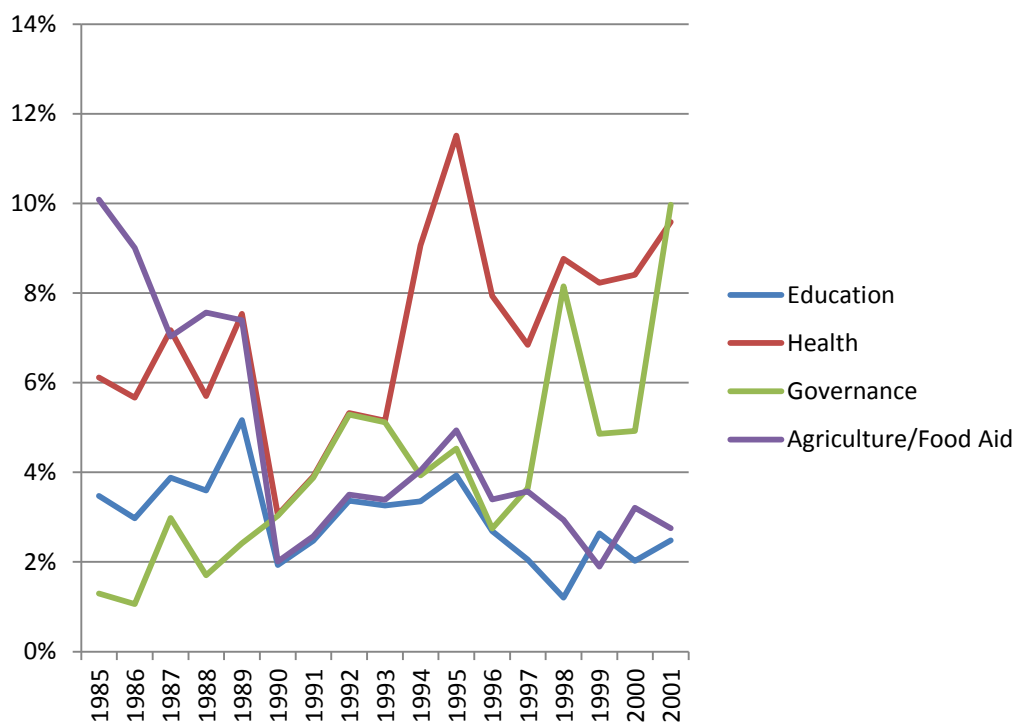
- iodine deficiency disorder
- polio
- the GAVI Alliance; micronutrients (with a further carve-out for vitamin A)
- blind children
- microbicides
- the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria
- nutritional support
- TB/HIV co-infection
- UNAIDS
- pandemic preparedness and response
- malaria
- tuberculosis
- the Global Tuberculosis Drug Facility
- neglected tropical diseases

<sup>11</sup> Total Title III funding was \$21.8 billion in FY2010, from which was backed out the emergency assistance accounts, Peace Corps, MCC, the Interamerican Foundation, the African Development Foundation, and debt-related funding in the Treasury Department.

<sup>12</sup> Global Health and Child Survival is a specific account managed by USAID and the State Department that is devoted to health sector programs.

It is reasonable to assume that the appropriations committees were guided in directing specific funds for these activities by information provided by the budget requests from the State Department and USAID. However, articulating those amounts in bill or report language constrains the ability to make changes in implementation to take advantage of changing environments or need. Because the exercise of writing budgets begins two years in advance of their submission to Congress, and then can take another year before they are enacted into law, need, or other considerations, can well have changed in the intervening time.

**Figure 3. Selected Sector Funding as a Percentage Share of Total U.S. ODA Commitments, 1985–2001**



Source: OECD/DAC.

In a period when the budget for assistance is stagnant or contracting, sectoral competition defines the budget process, and the battle over divvying up a shrinking pot becomes intense. Chasing dollars overtakes all rhyme and reason to the purpose of assistance. Such a period occurred beginning in the early 1990s. With the end of the Cold War, policymakers were looking for a peace dividend and even made cuts in defense spending. Funding for all sectors initially fell. Figure 3 shows what happened to four sectors of interest during this period. While all four fell initially, it was health and governance that rebounded, while education and agriculture continued to decline a full decade later.

## Whole-of-Government is the Latest Fashion

The number of U.S. government agencies with active aid programs has profoundly increased over the years and has seriously compromised the ability to provide coordination and coherence across government. With no single agency in charge, whether in Washington or the field, the system has been frequently described as fragmented. The domestic constituencies of these agencies drive a further wedge between purpose and strategy. One has to look no further than U.S. food aid programs to see that they were designed to help U.S. farmers and shippers as much as to respond to foreign emergencies. Through such a process, they increase the cost of food programs by as much as 30 percent.<sup>13</sup>

Domestic agencies with international activities generally do not provide line-item requests in their annual budgets, making it virtually impossible to capture a government-wide aid funding picture until nearly two years later when the United States submits a report on official development assistance to the OECD's Development Assistance Committee.<sup>14</sup>

In 1996, there were 10 government agencies engaged in foreign assistance.<sup>15</sup> USAID and State represented by far the largest aid providers. In 2009, in contrast, USAID and State were accompanied by 19 additional actors. The increase in the number of actors is a trend that began in the 1990s with the start of new programs in countries of the former Soviet Union and gained momentum in the 2000s. The Department of Defense, which earlier had participated mainly in humanitarian response, now has a number of assistance accounts appropriated to it separately from those of State and USAID.<sup>16</sup>

It is not just the number of actors now managing foreign assistance that has increased, but their share of the total assistance budget has also grown over time, while the portfolio managed by USAID has decreased. In 1996, USAID managed 64.3 percent of U.S. aid disbursements. By 2005, this level had fallen to 38.8 percent, although it rebounded in 2009 to 52.5 percent. By contrast, the State Department oversaw 12.9 percent in 1996 and 17.3 percent in 2009. Department of Defense funding was 3.5 percent in 1996, but grew to 21.7 percent in 2005 (reflecting activities in Iraq, Afghanistan, and the Indian Ocean tsunami) and 7.5 percent in 2009.

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<sup>13</sup> *Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid*, U.S. Government Accountability Office, April 2007. <http://www.gao.gov/new.items/d07560.pdf>

<sup>14</sup> USAID's new Dashboard, its online source of aid data, reportedly plans on expanding its initial offering of data to eventually include that from all U.S. government sources.

<sup>15</sup> In order of their percentage share of aid disbursed, the ten agencies are: USAID, State Department, Treasury Department, Department of Defense, Agriculture Department, Interior Department, Peace Corps, African Development Foundation, Inter-American Foundation, and Energy Department.

<sup>16</sup> As authorized in the FY2011 National Defense Authorization Act, these include: Section 1206 Train and Equip; Section 1208 Support of Special Operations; Commanders' Emergency Response Program (CERP); Pakistan Counterinsurgency Fund; Iraq and Afghanistan Security Forces Fund; Coalition Support Funds; Afghanistan Infrastructure Fund; and the Yemeni Ministry of Interior-Counter Terrorism fund.

The Department of Health and Human Services was small enough in 1996 to not register on the DAC radar; by 2009 it oversaw 9.5 percent.<sup>17</sup>

**Table 2. Agencies and their Relative Share of U.S. ODA Disbursements, 2009**

Agency	Percent of Total ODA	Total (USD millions)
U.S. Agency for International Development	52.49%	15,567.86
Department of State	17.25%	5115.59
Department of Health and Human Services	9.48%	2811.31
Department of Defense	7.49%	2222.17
Department of the Treasury	5.54%	1642.28
Millennium Challenge Corporation	3.14%	932.35
Department of Agriculture	1.29%	381.31
Peace Corps	0.95%	280.76
Department of the Interior	0.69%	205.03
Department of Energy	0.66%	195.29
Export-Import Bank of the United States	0.29%	86.14
Department of Labor	0.23%	69.18
Trade and Development Agency	0.17%	49.02
African Development Foundation	0.10%	29.49
Environmental Protection Agency	0.08%	23.11
Inter-American Foundation	0.06%	16.56
Department of Commerce	0.04%	11.54
Department of Justice	0.04%	11.41
Department of Homeland Security	0.02%	4.73
Department of Transportation	0.01%	3.66
Federal Trade Commission	0.00%	0.39
<b>TOTAL Official Development Assistance</b>		<b>29,659</b>

The number of agencies involved has required the creation of new “coordinator” positions to coordinate assistance across government—for Afghanistan, Pakistan, and food security, for example—and have led to interagency battles for control of high-profile initiatives such as Feed the Future and the Global Health Initiative. The growth in agencies prompted the Quadrennial Diplomacy and Development Review (QDDR) to characterize ambassadors as CEO’s, with plans to reward them for being able to manage an interagency process. But this move threatens to take valuable time away from their primary assignment of being the country’s diplomatic interlocutor.

The President’s Policy Directive on Development (PPD) and the QDDR recognize the difficulties of a whole-of-government approach. However, a framework for coordination and policy

<sup>17</sup> 2006 DAC Peer Review, United States; and U.S. data submitted to the DAC for 2009.

coherence has yet to be put into operation. Agreed-upon aid objectives could serve as the organizing principal for multi-agency initiatives.

## **Let Form Follow Function—Putting Objectives First**

It is reasonable to expect that international affairs spending will be trimmed in coming years. This is a trend that most donor nations are facing as they attempt to address budget deficits and the economic drag of growing debt. Declining aid dollars can actually help reform efforts, just as growing budgets can be a hindrance to reform. When budgets are increasing, there is little reason to push for reforms as everyone sees their share prosper. When aid dollars are decreasing, there is greater momentum to make better choices on where funds are spent.

Any reforms to U.S. foreign assistance will have to be accompanied with changes in the policy and budgeting process. Recent administration studies advocate for more focus and selectivity in aid investments. But the rhetoric of focus and selectivity will not become reality unless it is backed by reforming the policy process that determines how funds are allocated.

This will not be possible without a grand bargain among stakeholders to focus on objectives rather than sectors. Such a reorientation could serve to improve the effectiveness and efficiency of aid programs while still allowing ample space for organizations to advocate for the value of particular sectors. In the current political environment of budgetary concerns, achieving efficiencies are imperative if aid programs are to truly live up to the 3D rhetoric claiming that development, diplomacy, and defense are equal pillars upon which U.S. national security rests.

If U.S. foreign assistance investments aim to achieve foreign policy goals, those goals should drive funding allocations. Knowing the purpose of foreign assistance in any given country should inform how multisector strategies are written. If the urgent purpose of assistance to country X is promoting food security, then aid programs in that country should be designed to support that goal, taking advantage of the contributions of multiple sectors. If stability and democracy are the primary purposes of aid in country Y, then programs should reflect that purpose.

The U.S. National Security Strategy and the President's Policy Directive on Development,<sup>18</sup> point to the following foreign policy goals:

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<sup>18</sup> The President's Policy Directive on Development states that "The successful pursuit of development is essential to advancing our national security objectives: security, prosperity, respect for universal values, and a just and sustainable international order." The U.S. National Security Strategy advocates U.S. global engagement that can "...strengthen the regional partners we need to help us stop conflict and counter global criminal networks; build a stable, inclusive global economy with new sources of prosperity; advance democracy and human rights; and ultimately position ourselves to better address key global challenges by growing the ranks of prosperous, capable and democratic states than can be our partners in the decades ahead."

political stability (ending and recovering from conflict)  
resilient economies (sustainable growth that no longer needs foreign assistance as an engine for poverty reduction)  
responsive governments (revitalized public sector capable of managing adversity)

Political stability, resilient economies, and responsive governments are the foreign policy goals that foreign assistance should support. Foreign assistance that is purpose-driven would be responsive to the development plans of the recipient country while still reflecting U.S. foreign policy priorities. Country strategies, which would be developed by USAID and State working in partnership with recipient countries, would identify the objectives relevant to each country and the component sectoral strategies. While the overarching objectives would be identified by Washington, the means to achieve them would be crafted in the field.

Aggregating the sectoral investments projected to help achieve objectives would form the basis for annual budgeting. Instead of arbitrarily deciding that 3 percent of aid funds should be devoted to education, and 6 percent to agriculture, and 25 percent to health, this proposed system would produce ratios of assistance based on an assessment of what is needed to achieve U.S. objectives.

Country strategies, written by the field to reflect the purposes of assistance, would outline how goals are to be achieved based on conditions on the ground. The role of headquarter budget offices would be to review the plans for adherence to objectives, to aggregate the strategies globally, and then to adjust the budget to the political realities of Washington. This exercise would provide a far better assessment of what investments developing countries are interested in while still reflecting U.S. foreign policy objectives.

## **Next Steps**

When foreign policy and aid objectives do not drive resource allocations, the result is a disconnect between means and ends. It also contributes to sector funding being unstable over time and vulnerable to the influence of sector lobbying and congressional earmarking that may not reflect foreign policy or foreign assistance objectives. The top-down approach of aid budgeting has several detrimental effects on aid effectiveness and efficiency. The principal of country ownership is undermined as budgets respond to domestic interests and the quirks of the domestic policy process. Flexibility and responsiveness are lost because funds are so restricted and stove-piped. The American public does not know the purpose of aid programs, and budget pressures can undermine the sustainability of aid programs.

The existing Foreign Assistance Act (FAA), first written in 1961 and not updated in its entirety since 1985, includes 140 goals and purposes and over 400 different directives. New initiatives and new accounts are created and tacked on to this Cold War framework in a willy-nilly fashion. A new FAA would allow the president and the Congress to reach agreement on clear foreign policy objectives and the purposes of foreign assistance. Those objectives could then be used to

guide the budget process. That the executive and legislative branches have not been able to maintain a collaborative relationship on many foreign policy issues does not bode well for a new FAA, but such collaboration is necessary if foreign assistance is to be understood as supporting U.S. interests.