

BRIEFS

Maximizing USAID's Impact under the Next Administration

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Since its establishment more than 54 years ago, the United States Agency for International Development (USAID) has expanded into an \$18-billion-a-year agency operating in over 145 countries. The agency undertakes activities in nearly every development sector, including health, food security, microfinance, governance, counterterrorism, macroeconomic stability, trade, and transnational crime. But USAID, the largest bilateral provider of development assistance in the world, is often constrained in its ability to adapt to emerging development challenges due to differing political priorities among key stakeholders and resource constraints. The advent of a new administration presents an opportunity to reflect on USAID's role in contributing to sustainable development outcomes in its partner countries.

This memo is the result of a roundtable discussion in July 2016 on how the next administration, in close concert with Congress, can build upon and maximize the development impact of USAID. The discussion's starting point was a chapter on reforming USAID, authored by Casey Dunning and Ben Leo, in the Center for Global Development's *The White House and the World* briefing book.^[1] The memo that follows reflects these ideas as well as the input of representatives from a range of non-governmental organizations (NGOs), non-profits, foundations, and international organizations. These representatives are [listed](#) at the conclusion of this memo. The content of this memo does not necessarily reflect a consensus and should not be taken to construe any institutional or individual positions.

Practical ideas for USAID in the next administration fall into three main actionable areas:

1. **Demonstrating White House leadership on US development policy and USAID.**

The next administration should clearly articulate a vision and mission for USAID. As a part of this, a new executive should also articulate what policy proposals and reforms will be required for USAID to effectively execute that vision.

- Nominate an administrator of USAID in the first three months.
- Offer a guiding vision or mission for USAID based on its comparative advantage (or make clear that ending extreme poverty is still its mission).
- Ensure transition teams, if organized by agency, collaborate on interagency development policy.

2. Collaborating with Congress to maximize USAID’s development impact.

A new administration should prioritize and build strong partnerships with congressional stakeholders to undertake agency-level reforms.

- Include the relevant leaders of the Senate and House authorizing and appropriations’ committees in transition and development strategy discussions.
- Draft a global development strategy that outlines USAID’s role in US development policy and/or publicly commit to a rewrite of the Foreign Assistance Act.
- Understand—and dismantle where appropriate—the distinct programming and political constraints of congressional directives and presidential initiatives in order to maximize USAID’s core capabilities.

3. Reforming USAID operational capacities for a new development landscape.

The next administration should address talent, program management, and contracting weaknesses within the agency.

- Reaffirm policy and budgetary autonomy for USAID.
- Commit to evaluating USAID’s talent, project management, and contracting weaknesses with special consideration for particular personnel and management requirements in fragile and conflict-affected states.
- Transmit greater autonomy to USAID mission directors to pursue context-specific programming.

USAID during the Obama Administration

In the last eight years, USAID has undertaken a series of reforms to improve programmatic and operational effectiveness. In 2010, Administrator Rajiv Shah launched USAID Forward, a reform agenda that sought to return policy and budget capacity to the agency, increase focus on the sustainability of development programs, stress the importance of science and technology, and develop country-specific strategies with partner governments. In addition, the Barack Obama administration continued to enact the Development Leadership Initiative (DLI), established under the George W. Bush administration, which aimed to bolster the agency’s personnel by 2012, better positioning USAID as an engine of development expertise.

Like previous administrations, the Obama administration’s USAID adopted an initiative-centric approach to development. Two of the biggest ongoing initiatives led by USAID are Feed the Future, an initiative focused on global hunger and food security, and Power Africa, an initiative to leverage US assistance and other tools to expand private sector investment in electricity generation and access across the continent. In the context of these initiatives and others, USAID also continued to use public-private partnerships to mobilize more resources for US development efforts, recognizing the important role of private finance for strengthening productivity and growth. Underpinning the work of USAID during the Obama administration was the 2010 Presidential Policy Directive on Global Development (PPD-6). The PPD-6 identified a set of principles to make US foreign assistance and development policy more effective and sought to elevate the importance of development assistance as a core pillar of American power for global good.[2]

Current Challenges Facing USAID

Under the next administration, USAID must continue to adapt its practices to reflect the rapidly evolving global development landscape, the integrated nature of development challenges, the need for improved internal management, and an increased appetite for risk.

First, as many countries grow wealthier, the number of stable, lower-income countries is declining while poverty remains a pernicious challenge in many fragile and conflict-affected states. As USAID pursues activities and operations in more risk-prone environments, the activities and procedures for managing those activities will evolve. This shift in the potential landscape of USAID operations will have implications for how USAID procures, staffs, implements, and monitors its development activities.

Second, a global and agency-level focus on ending extreme poverty means that USAID will continue to work in fragile states *and* middle-income countries with persistent pockets of the extremely poor. In line with the Sustainable Development Goals, USAID made its mission the end of extreme poverty, a goal with far-reaching consequences for the types of programs USAID might undertake.

Third, the world has seen a rapid increase in other forms of development finance, including partner countries' domestic resources, foreign direct investment, philanthropic flows, and private remittances. These other forms of finance dwarf official development assistance (ODA), prompting a need for a reassessment of the role of ODA vis-à-vis other forms of development funding. Such a fundamental rethinking might push USAID to focus more on governance and institutional strengthening, rather than service delivery, in response to these shifts in financing.

Fourth, as global development challenges become more complex and interlinked, USAID must look internally and confront its mixed record in promoting integrated development approaches, weighing siloed, issue-based solutions with a more systemic approach to programming. The Global Health Initiative (GHI), which attempted to promote a systemic approach to health, “failed to overcome bureaucratic inertia,” ultimately disbanding.^[3]

Finally, USAID faces talent management and contracting hurdles, and the agency will need to reevaluate these systems to effectively operate in today's development landscape.

Areas of Opportunity for the Next Administration

A new administration offers the opportunity to reevaluate where executive and legislative action might be necessary or desirable to maximize USAID's development impact. From the start, the agency and the administration should develop a collaborative relationship with Congress in policymaking as legislation will play an essential role in reforming USAID into a 21st century development agency. Additionally, the administration should take into account two long-standing dynamics that have prevented or constrained USAID's fundamental reform and adaptation: congressional directives and presidential initiatives. It should be a primary focus of the next US president's development team to understand—and dismantle where appropriate—these distinct programming and political constraints in order to maximize USAID's core capabilities in the coming years.

The next administration, ideally in collaboration with Congress, has an opportunity—and responsibility—to respond to these challenges and maximize the potential of USAID into the future. The following ideas represent the areas emphasized by roundtable participants as priority actions for a new administration.

Institutionalizing an executive vision

Participants commented on the importance of having strong leadership from the next president on the mission and role of USAID in a new development landscape. This, of course, starts with **nominating an administrator of USAID at the start of a new administration**. Key commentary highlighted that USAID need not be *visionary*, but it must have a *vision*. The agency should have a **clear goal with some level of visible presidential leadership**, as the likelihood of policy and operational reforms increases if the administration takes the lead. The Obama administration’s USAID articulated its mission as ending extreme poverty, but only did so in 2015. Further, the mission remained largely rhetorical as USAID did not expressly prioritize programs related to extreme poverty and continues to carry out multiple objectives—beyond extreme poverty—in varied country settings.

Early in its tenure, the administration should **formulate and deliver to Congress ambitious policy proposals that highlight the development comparative advantages of the United States**. One participant cited the example of President George W. Bush’s vision for The President’s Emergency Plan for AIDS Relief (PEPFAR), which succeeded through careful negotiations with Congressional stakeholders. Participants stated that initiatives which saw strong executive leadership from President Obama, like Power Africa and Feed the Future, had the strongest chance of being institutionalized. However, participants also noted that there is risk of assistance becoming more inflexible as additional initiatives are enshrined into law.

Collaborating with Congress

Participants offered multiple suggestions on collaborating with Congress to maximize USAID’s development impact and help facilitate the above recommendations. Participants noted the recent passage of the Global Food Security Act and Electrify Africa Act as encouraging signs that momentum can be carried into the next administration. Participants generally agreed that a “grand bargain” between Congress and the new administration is critical, and that the two actors need to come to an agreement on both USAID’s purpose and how to judge its effectiveness in achieving this purpose. **Leadership in Congress should be involved at the early stages of policy formulation** with a new administration.

As a practical step, **collaboration could be institutionalized in the next president’s transition teams**. Drawing on the most recent presidential transition experience, participants critiqued the lack of communication between USAID, MCC, PEPFAR, and other agency transition teams. Decision-making processes were siloed by agency with little to no communication around interagency development issues. Further, Congress was marginally engaged throughout the process, and the transition team took too long to consolidate gains of the previous administration. Learning from this experience, participants recommended that the structure of the transition team include a greater collaboration between agencies and with Congress from the start. One participant suggested **facilitating dialogue with leaders of the relevant Senate and House authorizing and appropriations’ committees during the transition period**.

Various participants discussed strategies for how the administration might **work with Congress to amend or rewrite the Foreign Assistance Act to maximize the impact of USAID**. However, there were conflicting viewpoints about whether a new administration or Congress should take the lead on such an effort. Regardless of the approach, participants strongly remarked that to succeed, the relationship between Congress and the administration cannot operate like it did in the past. A new administration should engage Congress on its development priorities from the start.

To begin this process (and a potential rewrite of the Foreign Assistance Act), participants recommended that the **administration draft a global development strategy within its first six months, consulting Congress throughout the process**. Other participants suggested starting small with a new development strategy. Rather than a rewrite of the Foreign Assistance Act or the proposal of multiple new initiatives, a new administration should **begin enacting the new strategy and operational reforms (such as portfolio reviews and flexible funding) in a small subset of countries**. This pilot could work to make early gains in development policy for a new administration while showing the possibility of transformation at USAID. With either approach, success is predicated on strong leadership from the executive branch.

Reforming personnel capacities and program decisions at USAID

Participants agreed that USAID should have the ability to better judge program effectiveness, and cited a need to **address talent, program management, and contracting weaknesses within USAID**. One participant cited a particular urgency for these reforms in the face of increasing operations in fragile states and the safety implications for agency personnel in these countries. There was general agreement that how the agency hires, promotes, fires, and trains its employees to work within the USAID bureaucracy has not been updated or standardized, which provides an impediment to portfolio effectiveness.

Over 50 years, USAID has built up a risk-averse culture that impedes its ability to effectively respond to changing development issues. The agency, and its employees, must be more nimble and managerially effective in responding to complex operating environments today. Participants cited a number of areas where past management challenges led to less-than-ideal results (e.g. case of IRD vs USAID; wasted money in Afghanistan). A number of recommendations for the next administration were offered in response to these challenges. First, USAID should **focus on hiring for specific skill sets needed in different country contexts**. It should also **value management as a practice among USAID staff and hire/promote for those skills**. Second, USAID should provide more funds for staff preparation and training. Finally, USAID should reconsider **permissible supervisory relationships between Foreign Service Nationals and Foreign Service Officers to allow local staff more managerial roles**.

The administration could harness the power of the Quadrennial Diplomacy and Development Review (QDDR), initiated in 2010 and 2015, to review USAID's and State Department's personnel policies and recommend reforms in hiring, training, promoting, and firing with an eye toward improving USAID's effectiveness.

Finally, from a management and effectiveness perspective, **mission directors should receive more flexibility from directives and initiatives and more autonomy in decision-making**. According to a recent survey by the Center for Global Development, as much as 90-95 percent of a mission director's budget can be tied up in congressional directives and presidential initiatives.^[4] This lack of on-the-ground flexibility highlights the barriers to adaptation and reform at the mission level. In order to allow for increased flexibility, mission directors should be given more autonomy, thus aiding in the nimbleness of the Agency as a whole. Indeed, one participant stated that mission directors should be 'incubators of innovation' in a given country.

Understanding the role of USAID vis-à-vis other US development actors

There is a healthy debate around the role of USAID in relation to other US development actors. Some argue that the next administration should continue to develop a robust USAID that is capable of pursuing multiple objectives in many different types of countries. This includes **maintaining USAID's policy and budget functions within the Agency** (not “taking the brain out of USAID”). The next administration could also elevate USAID by consolidating the over 20 agencies that are involved in foreign assistance, though some called this an unrealistic proposal. A participant suggested that the administration should divorce the Office of U.S. Foreign Assistance from the State Department and place it within USAID. Others agreed and noted this should happen as soon as possible. However, participants did not discuss what would happen to assistance managed through the Office of Foreign Assistance that would not be appropriate for USAID management, such as resources in the International Narcotics Control and Law Enforcement or Foreign Military Financing accounts.

Additionally, participants cited the need to bolster USAID by focusing on areas in which the United States' has a comparative advantage. American expertise in governance, private sector management, and institutional collaboration were among key strengths identified. These strengths could be pursued by **increasing flexibility around agency funds designated for specific initiatives**. For example, in terms of global health, the next administration can harness the momentum surrounding global health security, learn from the failures of GHI, and increase the flexibility of PEPFAR resources to fulfil the unmet promises of GHI. Indeed, increased capacity of health systems not only helps to combat HIV/AIDS, but can also help prevent the spread of the next Ebola or Zika virus while also increasing the impact of basic health services. (Multiple participants also noted that PEPFAR could and should be moved from the State Department to USAID.) Additionally, participants recommended a deeper dive into how the next administration can use USAID assistance to leverage and catalyze assistance in the financial sector. Participants highlighted the importance of improving on agencies and authorities that already exist, instead of creating new ones.

Systematizing the PPD-6

Participants noted that the USAID Policy Framework, which operationalizes the policy guidelines set forth in the PPD-6, has been beneficial in helping to guide implementation of USAID's activities. However, the next administration should continue to build upon the diplomacy-development-defense interface, and systematize it. Most participants agreed that **foreign assistance should work more closely with the US Defense Department, particularly as engagement with fragile states increases**. Engagement in these countries will no doubt reinforce the interlinkage between national security concerns and economic interests. Additionally, participants noted that development should be equal in status to diplomacy, rather than a subordinate pillar.

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[3] Glassman, A. 2012. Failure to Launch: A Post-Mortem of GHI 1.0. Center for Global Development: *Global Health Policy Blog*. www.cgdev.org/blog/failure-launch-post-mortem-ghi-10.

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