A Practical Vision for US Development Reform

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Summary

The lack of well-defined core priorities has enabled structural fragmentation across the more than 20 agencies that together constitute the US development architecture, making resource optimization and policy coordination nearly impossible. To maintain its relevance in a changing global development landscape, US foreign assistance should focus on four core development priorities: state fragility, inclusive growth, global health, and humanitarian assistance. Within these priority areas, 14 immediately actionable reforms would increase US development effectiveness and efficiency while paving the way for more significant reforms in the future:

1. Expand the use of USAID competition waivers to enable speedy and responsive programming in fragile environments.
2. Build a USAID recovery/transition surge capacity.
3. Permit earmark relief in post-disaster and transitional settings.
4. Increase complementarity between USAID and MCC.
5. Embrace subsequent compacts in MCC countries.
6. Expand OPIC into a full-fledged development finance institution.
7. Better align PEPFAR funding streams with agency core capacities.
8. Consolidate and elevate USAID's humanitarian offices.
9. Get food aid reform over the goal line (and take USDA out of the game).
10. Streamline reporting requirements and create a standardized rating system for program effectiveness.
11. Conduct a multilateral assistance review.
12. Harmonize country-level development engagement strategies.
13. Rationalize USAID hiring mechanisms.
14. Review the rationale for the African Development Foundation and the Inter-American Foundation.

Center for Global Development

As the Trump administration undertakes a review of potential efficiencies and structural improvements across the US government, the global development architecture is a clear candidate for improvement. US development and humanitarian assistance does a great deal of good, at modest cost: it saves and improves millions of lives each year while accounting for just 0.7 percent of annual government outlays.[1] And as over 120 retired generals and admirals recently affirmed, investments in development contribute to "preventing conflict and reducing the need to put our men and women in harm's way."[2] But the efficiency and effectiveness of that assistance is compromised by fragmentation of goals, authorities, and funding streams across more than 20 agencies.

This fragmentation is not a new problem—congressional leaders and previous presidential administrations of both parties have proposed ways of rationalizing the system. But little significant progress has been made. The US global development architecture remains overly complex, and must adapt to confront present and future challenges.

In today's budget environment—where cuts appear likely—reforms that increase effectiveness and efficiency are even more important. To be clear, such cuts are ill-advised: the US development enterprise already lacks the resources to adequately protect Americans and promote greater peace and prosperity. US development spending falls well short of comparable spending by peer countries relative to the size of their economies. In 2016, OECD countries spent an average of 0.32 percent of their gross national incomes on official development assistance, while the United States spent 0.18 percent.[3] Nonetheless, by implementing changes that enable greater value for money, the United States can maximize impact within a flat or declining resource envelope.

Earlier this year, we laid out six criteria for evaluating the seriousness and motives of any major reform proposals:[4]

- **Does it address the changing global context?** Two big shifts will define development engagement in the next decade: the increasing concentration of extreme poverty in fragile states, and the shift of development financing in stable states away from aid and toward private and domestic financial flows.

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[1] US Development Policy Initiative, "International development and humanitarian assistance as a percentage of total government outlays, FY2015," chart from *the Foreign Assistance Agency Briefs* (Center for Global Development, 2017), https://www.cgdev.org/media/chapeau-2.

[2] Sidney Traynham, "Over 120 Retired Generals, Admirals on State and USAID Budget: 'Now Is Not the Time to Retreat,'" *Letter*, (US Global Leadership Coalition, February 2017), http://www.usglc.org/2017/02/27/over-120-retired-generals-admirals-on-state-and-usaid-budget-now-is-not-the-time-to-retreat/.

[3] Scott Morris and Isaac Shapiro, "US Already $26 Billion Short of "Fair Share" Standard for Development Aid," *Blog*, (Center for Global Development, May 19, 2017), https://www.cgdev.org/blog/us-already-26-billion-short-fair-share-standard-development-aid.

[4] Jeremy Konyndyk and Cindy Huang, "Good Faith or Hostile Takeover? How to Judge a Development Re-org Plan," *Blog*, (Center for Global Development, May 2017), https://www.cgdev.org/blog/good-faith-or-hostile-takeover-how-judge-development-re-org-plan.

- **Does it roll back aid fragmentation?** A serious review must take a hard look at whether agencies and offices have clear and distinct roles, tied to clear capacities and comparative advantages, with an efficient system for coordinating efforts among them.
- **Does it engage the full State/USAID team?** Deep involvement of the career teams at State and USAID is important both for ensuring that reform ideas are meaningful and feasible, and for ensuring the buy-in of staff who will ultimately be the frontline implementers of any changes.
- **Does it set clear targets and emphasize cost-effectiveness?** Major reforms need measurable objectives, targets, and data in order to drive change: any proposals must emphasize evidence of results and cost-effectiveness over simple cost-cutting.
- **Does it have buy-in beyond the administration?** Major structural changes to US foreign assistance need buy-in from Capitol Hill and key external constituencies, or they will be vulnerable to reversal under a future administration.
- **Does it seek reasonable efficiencies or debilitating cuts?** There may be plausible, if ill-advised, arguments for cutting budget and staffing levels, but a reorganization plan that proposes such changes should have an equally robust strategic rationale to reconcile those cuts with how they affect US foreign policy objectives.

With these criteria in mind, we propose a path forward on US development reform, starting with a set of core priorities for US foreign assistance. We outline 14 immediately actionable reforms centered around these priorities that would constructively (if modestly) begin to increase the coherence and impact of US assistance without requiring the time and effort of a wholesale reorganization. Finally, we explore the pros and cons of different options for a more fundamental streamlining of the US government's aid architecture.

Fit for purpose: Aligning US development to current and emerging trends

Any structural changes should be driven by an updated vision for what the US government's development architecture seeks to do. The lack of well-defined core priorities for US official development assistance has enabled a high degree of structural fragmentation across more than 20 agencies,[5] which in turn makes resource optimization and policy coordination nearly impossible. To advance US values and foreign policy

[5] "Agencies: Overview," *Web Page*, (foreignassistance.gov, 2017), http://www.foreignassistance.gov/agencies.

interests, while maintaining relevance in a changing global development landscape, the US development architecture should refocus on four core priorities: state fragility, inclusive growth, global health, and humanitarian assistance.

1. State fragility

In the coming decade, extreme poverty will be increasingly concentrated in fragile and poorly governed states. For example, poverty rates in sub-Saharan Africa's fragile states are on average 20 percent higher than in countries with comparable levels of economic development,[6] and by 2030, the share of global poor living in fragile and conflict-affected situations is projected to reach 46 percent, up from 17 percent today.[7] Helping such states move toward greater stability and human development is clearly in line with US interests: these places hold the greatest potential to spawn future global crises, as we have seen with Afghanistan, violence in Central America, and the West Africa Ebola outbreak.

Yet US development engagement in fragile states has traditionally been weak and inconsistent, veering among pushing large—but politicized and questionably effective—stabilization efforts in places like Iraq and Afghanistan; consigning crisis-prone states to humanitarian relief flows; and reverting to risk aversion elsewhere. This has tentatively begun to evolve with USAID's emerging focus on crisis resilience and extreme poverty, but needs to go much further to fundamentally reorient USAID's development investments. Because fragile countries lack favorable access to most large-scale private financing, US development assistance has a more compelling value-add in these countries than in more stable settings—but it must adapt its methods. Going forward, a more "expeditionary" development approach will be required: one that is more rapid, nimble, and risk-tolerant than traditional USAID development programming. US development programs should continue to support education, agriculture, livelihoods, infrastructure, and other sectors. But such programs will need to be more closely linked to governance, policy engagement, and conflict prevention and mitigation efforts. If well designed and executed, more holistic and coordinated strategies to reduce fragility can advance key US national security goals, such as countering violent extremism and reducing the destabilizing effects of forced displacement. *This priority would align functions that sit predominantly at USAID, along with others that fall across the State Department, the Millennium Challenge Corporation (MCC), and Treasury (which manages multilateral support through international financial institutions).*

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[6] "Financing the Frontier: Inclusive Financial Sector Development in Fragility Affected States in Africa," *Report,* (Mercy Corps and FDSD Africa, February 2017), http://www.fsdafrica.org/wp-content/uploads/2017/02/17-02-13-Mercy-Corps-Report.pdf.

[7] "Development for Peace: The World Bank Group's work to tackle fragility, conflict, and violence," *Fact Sheet,* (World Bank, November 2016), http://pubdocs.worldbank.org/en/597521479145510349/11-11-2016-17-57-24-WBGFCVBrochure.pdf.

2. Inclusive growth

Developing countries that are stable and more responsibly governed have distinct challenges and needs. Addressing the often extensive poverty in these rising economies requires that their growth be comprehensive and inclusive. US development engagement in these states must evolve away from viewing aid as the centerpiece, and toward an approach centered on convening diverse partnerships. While the bulk of development financing in these states will come from non-aid sources, they still need US partnership, technical support, and facilitation of private sector engagement and domestic resource mobilization. And while these states become decreasingly reliant on foreign assistance, modest foreign aid inputs will still play a catalytic role in reducing risk, mobilizing private investment, addressing strategic constraints to growth, and helping to meet the needs of the vulnerable. The US government's Power Africa initiative, which has mobilized more than $40 billion in private sector commitments after an initial $7 billion commitment,[8] provides a strong template for this approach, showing the potential for US government startup investment, facilitation, and technical support to mobilize much larger private investments. An effective response requires the US government to strengthen its toolkit for mobilizing private finance—including grants, risk-sharing tools, lending, and equity—and ensure that tools are deployed in a coordinated manner. *This priority would align a predominant role for the MCC with core related functions at Treasury, the Overseas Private Investment Corporation (OPIC), USAID, and other offices.*

3. Global health

Saving lives and improving health outcomes in the developing world is a longstanding focus of US foreign assistance spending. The United States is the recognized leader in global health and the world's largest single investor. In particular, PEPFAR's $6.4 billion[9] annual investment in combating HIV/AIDS (approximately 68 percent of global health spending),[10] has achieved historic results, strong bipartisan support, and shaped the global health landscape. As of 2016, PEPFAR reports supporting 11.5 million people with lifesaving antiretroviral treatment (ART), and the initiative has also prevented nearly 2 million babies from being born with HIV who would have otherwise been infected. And in select countries, new HIV infections have declined 51-76 percent since

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[8] "Power Africa Announces More Than $1 Billion in New Commitments at the US Africa Business Forum," (USAID, September 2016), *Press Release*, https://www.usaid.gov/news-information/press-releases/sep-21-2016-power-africa-announces-more-1-billion-new-commitments-us-africa; Todd Moss, "Grading Power Africa," *Note*, (Center for Global Development, November 2016), https://www.cgdev.org/blog/report-card-power-africa-and-how-next-president-can-do-even-better.

[9] In FY2017. "Congress Releases FY17 Omnibus," (Kaiser Family Foundation, May 2017), http://www.kff.org/news-summary/congress-releases-fy17-omnibus/.

[10] Ibid.

PEPFAR's inception in 2003.[11] US support also underpins global efforts to combat malaria, end polio, expand vaccination coverage, and address a range of other disease threats. For example, the President's Malaria Initiative has contributed to over 6 million lives saved since 2000.[12] These investments also help protect the US mainland from health threats such as Ebola and Zika, particularly through the Global Health Security Agenda. Sustaining US leadership in this area will continue to spur complementary investments from other donors, while minimizing health threats that can pose major threats to countries' overall development. That said, these programs lack a coherent overall strategy, and there should be greater alignment between medium-term goals and the allocation of available resources. They also require greater efficiency in implementation and rigor in performance measurement. *This priority would align functions that currently sit across the State Department, USAID, the Department of Health and Human Services/Center for Disease Control and Prevention (CDC), Peace Corps, Depart of Defense (DOD), and others.*

4. Humanitarian assistance

Americans are generous privately but also expect their government to respond rapidly and robustly to humanitarian crises. The United States funds approximately a quarter of all global humanitarian relief every year, providing the financial backbone of global crisis response. In 2015, USAID provided lifesaving support to 109 million victims of humanitarian emergencies around the world.[13] These funds support tangible needs-based humanitarian assistance to mitigate and respond to a full range of natural and manmade disasters. USAID's Disaster Assistance Response Teams (DARTs) work directly on the frontlines of global crises and provide a visible and high-impact symbol of US leadership and generosity—whether addressing an earthquake in Nepal, responding to humanitarian needs related to the counter-ISIL fight, or containing the Ebola outbreak in West Africa. The State Department's refugee bureau provides critical financial support and policy leadership on refugee aid and resettlement. While humanitarian programs are generally high-performing, there still exist opportunities for greater coordination, streamlining, and impact. *This priority would align humanitarian response functions predominantly at USAID with functions across the State Department and the Defense Department.*

These four core priorities are interlinked and mutually-reinforcing, and would provide a clearer trajectory for countries receiving US official development assistance. Chronic recipients of humanitarian aid could simultaneously receive strategic development investments to reduce their vulnerability to crisis and reliance on emergency aid. Development investments in fragile states would aim to reduce their fragility; support effective security, governance, and stability; and transition them ultimately toward

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[11] "PEPFAR Latest Global Results," *Fact Sheet*, (PEPFAR, 2016), https://www.pepfar.gov/documents/organization/264882.pdf.

[12] "President's Malaria Initiative By The Numbers," *Fact Sheet*, (PMI, April 2017), https://www.pmi.gov/docs/default-source/default-document-library/pmi-reports/pmi-by-the-numbers.pdf.

[13] "FY2015 Annual Performance Review," Report, (Department of State, 2016), https://www.state.gov/documents/organization/259539.pdf.

inclusive growth. Support for inclusive growth would aim to reduce poverty, increase productivity, and turn countries into long-term trading partners. Global health assistance, meanwhile, would cut across all other categories, saving and improving lives, reducing the health impediments to growth, and seeking to reduce countries' reliance on health aid as they transition from fragility toward stronger institutions and sustainable growth.

These four priorities would not supplant US investments in key underlying sectors such as governance, agriculture, livelihoods, infrastructure, and water, or commitments to cross-cutting issues like gender equality and youth and to global public goods like data, technology, and environmental sustainability.[14] Rather they would provide a more coherent framing, orientation, and sequencing for those investments, reflecting that they must be deployed differently in different contexts, with distinct assistance and policy tools tailored to their missions. In place of the proliferation of tools and resources spread haphazardly across the government, this approach would enable a more unified and coherent menu of engagement and assistance tools centered on these four core priorities.

Greasing the skids: Immediately actionable steps toward greater coherence and impact

This note lays out potential organizational reforms that would increase the coherence, efficiency, and effectiveness of US foreign aid in line with these four priorities. The following are a mix of one-off reforms that could be implemented quickly and heavier lifts that require more significant effort or relatively modest legislative changes. Within each priority, proposed reforms are listed from the easiest to the most difficult. While the proposals—either individually or collectively—will not comprehensively address current challenges, they move the system in the right direction and create meaningful opportunities for greater cost-effectiveness and coherence.

[14] Nancy Birdsall and Anna Diofasi, "Global Public Goods That Matter for Development: A Path for US Leadership," *White House and the World 2016 Briefing Book*, (Center for Global Development, 2016), https://www.cgdev.org/publication/ft/global-public-goods-matter-development-path-us-leadership.

Priority 1: State fragility

1. Expand the use of USAID competition waivers to enable speedy and responsive programming in fragile environments

USAID's standard end-to-end process[15] for designing and awarding new development programs is a major obstacle to its effectiveness in fragile states. The awards process can take years from initial concept to the beginning of program implementation—a long time even in stable development settings, and an Achilles' heel in fragile and transitional contexts. Much of this process is taken up with managing the minutiae of USAID competition process requirements, which are cumbersome and time-consuming. While competition systems can help to ensure value for money, they are not adapted for fragile contexts where there is a premium on programmatic agility. These requirements absorb inordinate amounts of staff time and their highly prescriptive nature obstructs joint problem-solving between USAID and potential partners.

As a result, when USAID needs to quickly program new money in a fragile or transitional country, it typically faces a choice between spending one to two years launching a new program, or pouring money into an existing award agreement regardless of whether it is an appropriate vehicle for the intervention. By contrast, USAID's disaster response programs are nimble and can program money rapidly through responsible use of competition waiver authorities. Where justified by the specific circumstances, USAID has authority to use competition waivers across its portfolio, but only rarely exercises this authority outside of disaster situations.

USAID should judiciously begin making more expansive use of competition waiver authorities for development programs in fragile states, to ensure USAID can launch new programs in no more than 3-6 months, and be proactive in seeking out the most appropriate partners suited to the intended interventions. This would require broader training in existing procedures to ensure the appropriate use of these waiver authorities, which in general should not be used for more than three years following the onset of a crisis or transition opportunity.

2. Build a USAID recovery/transition surge capacity

While USAID's disaster response surge process (the DARTs) is very capable, USAID lacks a comparably effective mechanism for surging foreign service officers and other

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[15] 'Grant and Contract Process," *Web Page*, (USAID, April 2017), https://www.usaid.gov/work-usaid/get-grant-or-contract/grant-and-contract-process.

development staff toward transition opportunities and non-disaster contingency operations. USAID faced challenges, for example, maintaining staff levels in its West African development missions at the height of the Ebola crisis,[16] even struggling to find a health officer for its Guinea mission.

USAID's existing mechanism[17] for non-disaster surge is a remnant of the "civilian response corps" experiments of the late Bush and Obama administrations. It is reliant exclusively on contractors and was able to address fewer than half the surge requests it received in 2016. Meanwhile USAID's Office of Transition Initiatives has a strong surge capacity, but with a narrower scope that focuses on political transition programs, not full-spectrum development and recovery needs in a post-crisis setting. (Similarly, State's Conflict and Stabilization Operations Bureau embarked on the creation of a civilian response network, also a successor of the civilian response corps, but with both a narrower scope and an uncertain model due to various leadership changes and budgetary uncertainty.) For USAID at large, the strict rhythm of foreign service deployments and the lack of a clear and systematic process for redirecting staff assignments toward crises mean USAID must often resort to ad hoc measures for staffing new critical posts and opportunities. This is a problem even in today's world and will grow into a mission-critical constraint in a world where the bulk of USAID's work focuses on fast-changing fragile states.

USAID should develop a robust new mechanism for surging staff toward emergent crises and opportunities. Building this will be a significant multiyear endeavor, as it will require changes to the existing surge mechanism, broader changes to internal personnel management processes, new training processes, and shifts in USAID staffing culture.

3. Permit earmark relief in post-disaster and transitional settings

The US government frequently drops the ball on post-crisis transitions because it lacks dedicated money for new transitional programming. At the USAID mission level, the burden of congressional earmarks and directives typically leaves little to no discretionary funding available for addressing unforeseen contingencies or new opportunities.[18] Seeking new funds through congressional appropriations is a hit-and-miss process that is

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[16] Suzy Khimm, "Ebola aid groups worry about delays and staffing shortfalls," *Blog*, (MSNBC, October 2014), http://www.msnbc.com/msnbc/ebola-aid-groups-worry-about-delays-and-staffing-shortfalls.

[17] "Office of Crisis Surge Support Staff," *Web Page*, (USAID, April 2017), https://www.usaid.gov/who-we-are/organization/bureaus/bureau-democracy-conflict-and-humanitarian-assistance/office-crisis-surge-support.

[18] We use the term "earmarks" broadly to refer to congressional directives about how programmatic funding should be deployed or allocated. "Audit of USAID Country and Regional Development Cooperation Strategies," *Audit Report*, (Office of Inspector General, February 2015), http://pdf.usaid.gov/pdf_docs/PA00KB67.pdf; Casey Dunning and Ben Leo, "Making USAID Fit for Purpose - A Proposal for a Top-to-Bottom Program Review," *White House and the World 2016 Briefing Book*, (Center for Global Development, July 2015), https://www.cgdev.org/publication/ft/making-usaid-fit-purpose-proposal-top-bottom-program-review.

slow and rarely succeeds. However, many USAID missions have significant pipelines of forthcoming earmarked funding that cannot be immediately spent on existing programs. In instances where a new disaster has been declared or some other form of crisis or transition has begun, a portion of these funds could be used for contingency programs if earmark relief were available. Congressional appropriators could fix this by granting the USAID administrator authority to waive earmark requirements on up to 50 percent of a country's planned pipeline funding and realign those funds toward transition programming for a limited time period after a crisis.

Priority 2: Inclusive growth

4. Increase complementarity between USAID and MCC

USAID serves as the US government's soup-to-nuts development agency, designing and implementing everything from emergency response to post-conflict recovery to economic growth programs.[19] In contrast, MCC focuses exclusively on economic growth and poverty reduction in better-governed countries as determined by a scorecard of third-party indicators. MCC provides assistance through five-year compacts—averaging $350 million in grants—that invest in addressing binding constraints to growth (e.g., electricity, roads, education), and are implemented by the host country. Given their different scopes and program modalities, USAID's and MCC's comparative advantages are often clear. However, there are countries and sectors where they overlap, creating potential for missed opportunities, confusion, and duplication.

USAID and MCC should increase their collaboration in MCC compact or threshold countries to reinforce their shared impact. While their coordination has improved over time, it is not yet systematic. The two agencies should collaborate to determine where complementarities exist and coordinate programming on that basis. For example, in Morocco, the MCC compact focuses on secondary and vocational training, while USAID programs target primary schools. This arrangement enables mutual learning while avoiding duplication. USAID can benefit from the greater leverage of MCC compacts, especially in policy reform discussions; MCC can scale successful USAID programs that address binding constraints to growth and benefit from USAID's experience in these sectors. Lending instruments from USAID's Development Credit Authority could be deployed along with MCC grants to achieve greater mobilization of private finance.

Regular joint programming exercises should be established so that both agencies look across their portfolios to identify opportunities for collaboration. This will require providing USAID added flexibility to reprogram funds that could be better used and

[19] See: "Foreign Assistance Agency Brief: Millennium Challenge Corporation," *Foreign Assistance Agency Brief,* (Center for Global Development, April 2017), https://www.cgdev.org/publication/foreign-assistance-agency-brief-millennium-challenge-corporation.

achieve more impact in joint efforts with MCC. Similarly, in program design, MCC should consider ways to connect directly with and support USAID programs that may help address the sustainability of its investments. As a number of fragile states (e.g., Ivory Coast, Nepal, Niger) are MCC and USAID program countries, these joint programming exercises should include governance, transition, and resilience experts where relevant.

5. Embrace subsequent compacts in MCC countries

Though MCC's legislation allows follow-on compacts with a country, some congressional and other stakeholders have been some reluctance for the agency to pursue more than two five-year programs with any given country. The two main sources of opposition to subsequent compacts are the notions that continued investment reflects the failure of earlier MCC programs to "transform" a country and that longer-term partnerships would make MCC indistinguishable from standard US foreign assistance programs. As our CGD colleague has noted in making the argument for subsequent compacts,[20] both concerns can be addressed. First, it is important to recognize the long-term nature of development. It is unrealistic to expect that a single (or even multiple) five-year program will transform a developing country into an aid graduate. Instead, a successful compact is one that helps a country address some key constraints to growth, setting the stage for sustained, increased economic activity; subsequent compacts can tackle the next set of constraints. While it is true that MCC's strict five-year compact timeline is one of its key distinguishing features, the importance of the timeline is in its application to each compact—providing an incentive for timely implementation and forcing reassessment of continued engagement—not to MCC's overall relationship with a country. Furthermore, because the number of new countries that meet MCC's good governance criteria each year is very small, many current MCC partners will remain the best partners in the future, even if they have already had one or more MCC programs. With its singular focus and distinctive effectiveness model, MCC has a comparative advantage in promoting inclusive growth; over time it could play a more prominent leadership and coordinating role in relatively stable and well-governed countries.

6. Expand OPIC into a full-fledged development finance institution

In relatively stable developing countries, development engagement should move toward catalyzing private finance and a country's own domestic resources, rather than financing needs directly. There will be no other way to mobilize the trillions needed to fill the

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[20] Sarah Rose, "Subsequent Compacts are the Future of the Millennium Challenge Corporation," *MCA Monitor*, (Center for Global Development, May 2014), https://www.cgdev.org/sites/default/files/subsequent-mcc-compacts.pdf.

development financing gap, estimated at $2.5 trillion a year to meet the Sustainable Development Goals.[21] As colleagues at CGD have previously pointed out,[22] OPIC is a critical tool that leverages private capital, adds development value, *and* returns money to the US Treasury.[23] President Trump's budget proposes eliminating OPIC, which would result in $2.2 billion of lost revenue over the next 10 years.[24] There is not only bipartisan support for OPIC, but also interest in expanding its toolkit so it becomes a full-fledged, modern development finance institution.[25] The toolkit would grow from debt, loan guarantees, political risk insurance, and private equity investment funds to also include equity authority, technical assistance, and first-loss funding.[26] Though not necessary to achieve many of the benefits of an expanded OPIC, future reforms could also address fragmentation by folding in related offices, such as the components of the US Trade and Development Agency and USAID's Development Credit Authority, and USAID and State Department enterprise funds.

Priority 3: Global health

7. Better align PEPFAR funding streams with agency core capacities

At $9.4 billion, and comprising approximately 22 percent of the foreign assistance budget, global health funding is the US government's largest area of development

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[21] Marc Cohen, "Can Aid Donors "Blend" Private Finance, Poverty Reduction, and Effective Development?" *Blog*, (Oxfam, June 2017), https://politicsofpoverty.oxfamamerica.org/2017/06/can-aid-donors-blend-private-finance-poverty-reduction-and-effective-development/; Malia Politzer, "Going for Goals: How to innovate in health sector financing," *Blog*, (Devex, May 2017), https://www.devex.com/news/going-for-goals-how-to-innovate-on-health-sector-financing-90216; "Developing countries face $2.5 trillion annual investment gap in key sustainable development sectors, UNCTAD report estimates," *Press Release*, (UNCTAD, June 2014), http://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=194.

[22] Todd Moss and Jared Kalow, "Four Ideas for OPIC's New Leadership," *Blog*, (Center for Global Development, June 2017), https://www.cgdev.org/blog/four-ideas-opics-new-leadership.

[23] See: "Foreign Assistance Agency Briefs: the Overseas Private Investment Corporation," *Foreign Assistance Agency Briefs*, (Center for Global Development, April 2017), https://www.cgdev.org/publication/foreign-assistance-agency-brief-overseas-private-investment-corporation-opic.

[24] Joseph O'Keefe and Todd Moss, "The Trump Budget is Wrong to Axe OPIC: It Doesn't Distort Markets, it Creates Them," *Blog*, (Center for Global Development, May 2017), https://www.cgdev.org/blog/trump-budget-wrong-axe-opic-it-doesnt-distort-markets-it-creates-them.

[25] Benjamin Leo and Todd Moss, "Bringing US Development Finance into the 21st Century: Proposal for a Self-Sustaining, Full-Service USDFC," *US Development Policy Initiative Product*, (Center for Global Development, March 2015), https://www.cgdev.org/publication/bringing-us-development-finance-21st-century-proposal-self-sustaining-full-service-usdfc.

[26] Benjamin Leo, Todd Moss, and Beth Schwanke, "OPIC Unleashed: Strengthening US Tools to Promote Private-Sector Development Overseas," *US Development Policy Initiative Product*, (Center for Global Development, August 2013), https://www.cgdev.org/sites/default/files/OPIC-Unleashed-final.pdf.

investment.[27] The results have been impressive, saving and improving millions of lives. By far the largest of these investments is PEPFAR. Led by the State Department's Office of the Global AIDS Coordinator and implemented by seven partner agencies, PEPFAR comprises $6.435 billion[28] in programs that provide antiretroviral drugs, prevent HIV transmission, and promote epidemic control in over 60 countries. In its early years, PEPFAR scaled up rapidly to respond to the urgent HIV/AIDS crisis, building on the existing country-level capacities of different federal agencies. These capacities varied greatly from country to country, and so as programming scaled up, an inconsistent division of labor emerged between the main implementing agencies, CDC and USAID.

CGD analysis of PEPFAR budgeting reveals that this inconsistent division of labor has now been institutionalized in the program and is out of step with the two agencies' distinct comparative advantages. USAID has deep expertise in implementing health programs in developing countries, while CDC leads the world on health technical standards, epidemiology, surveillance, laboratory analysis, and related functions. However, in an examination of the country operational plans of the five largest PEPFAR programs over the last five fiscal years, we found that the division of labor between the agencies varied widely. For example, when comparing CDC to USAID implementation in these countries in 2016 (and excluding the much smaller funds that go to other agencies such as DOD), CDC implemented between 73 to 100 percent of lab programs and between 0 to 100 percent of injection safety programs. In the same year, when comparing USAID to CDC implementation in these countries, USAID implemented between 27 to 70 percent of programs to prevent mother to child transmission, 48 to 100 percent of health systems strengthening programs, and 46 to 100 percent of HIV testing and counseling programs. While further analysis is needed, including examining the specific contracts managed by each agency, the overall picture is one of substantial country-level variation.

Despite the historical basis of these allocations, these inconsistencies in the division of labor suggest a degree of duplication in expertise, overhead (e.g., staff and procurement mechanisms), program oversight, and effort. For example, even if parallel interventions are effectively coordinated at the country-level, there must still be capacity in the United States at both agencies to help oversee country work. And the reported level of disagreement and turf battles between USAID and CDC support the idea that the division of labor is not entirely clear. For example, the 2013 Institute of Medicine evaluation of PEPFAR[29] found that the interagency model was sometimes a source of tension, with challenges such as "large amount of time spent on coordination; inefficiencies or non-optimal use of resources, particularly due to the duplication of programs and services; tensions among staff members around budget decisions and competition for funds, activities, and partners."

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[27] FY2017 enacted. "Congress Releases FY17 Omnibus."

[28] In FY2017. Ibid.

[29] "Evaluation of PEPFAR," *Report,* (Institute of Medicine of the National Academies, February 2013), http://www.nationalacademies.org/hmd/Reports/2013/Evaluation-of-PEPFAR.aspx.

We see an opportunity to take a hard look at relative roles and responsibilities now that the epidemic is moving to the stage of management and control versus emergency response—and more of the management, coordination, and day-to-day work should be led by the host countries themselves. With this in mind, resource allocations should be reviewed and potentially realigned across implementing agencies based on comparative advantage and against sustainability plans that reflect a pathway to greater country ownership. The recent and important work of PEPFAR to increase the granularity, accuracy, and transparency of its data[30]—and use of data to drive decision making and resource allocation—is commendable and provides a solid foundation for this broader institutional, longer-term assessment. Indeed, the resulting recommendations should include measures for introducing greater rigor and accountability in results from PEPFAR investments.

Priority 4: Humanitarian assistance

8. Consolidate and elevate USAID's humanitarian offices

USAID has two distinct offices responsible for humanitarian assistance: the Office of US Foreign Disaster Assistance (OFDA) and the Food for Peace office (FFP). This division between food and non-food humanitarian assistance is a historical anachronism from the era when the offices' roles were neatly divided between providing in-kind US food commodities (FFP) and doing everything else (OFDA). However, as the offices' missions have evolved over the intervening decades, their roles have increasingly meshed. To be fully effective, food aid programming depends on integrated water, nutrition, livelihoods, and health programming—and vice versa. Program tools are also overlapping—both offices now make increasing use of market-based cash and voucher programming.[31] The offices now also share a funding account (the International Disaster Assistance Account—IDA), deploy to the field jointly on Disaster Assistance Response Teams, and co-fund many of the same NGO and UN partners. The net result is that food versus non-food is no longer a meaningful organizing principle for US humanitarian assistance.

Effective coordination of US humanitarian programming is impeded by the parallel institutional and management structures of the two offices. Merging and elevating them into a new Humanitarian Bureau within USAID would enable more streamlined and cohesive management and oversight of IDA and Title II resources, higher-impact programming, and a stronger and more unified US government voice on global humanitarian policy. This merger would need to happen at the level of a stand-alone

[30] "Country and Regional Program Results: FY16," *Dataset*, (PEPFAR, 2016), https://data.pepfar.net/global.

[31] 'Approaches to Food Assistance Fact Sheet," *Web Page*, (USAID, February 2017), https://www.usaid.gov/what-we-do/agriculture-and-food-security/food-assistance/quick-facts/new-approaches-food-assistance.

bureau, as an office-level entity would not provide sufficient management bandwidth for more than $4 billion in program funds.

We do not believe that the State Department's Bureau of Population, Refugees, and Migration (PRM), which also manages considerable humanitarian resources and policy, should be folded into a new USAID Humanitarian Bureau at this time. It is important to maintain a strong humanitarian voice at the State Department, and PRM's roles on refugee resettlement and diplomatic engagement with refugee-hosting countries are better suited to State than to USAID. However, greater consistency in assistance policy and programming approaches between State and USAID humanitarian programs should be pursued, given the heavy convergence in partners, programming, and policy leadership between State/PRM and USAID. Likewise, State/PRM should explore options for consolidating field-level personnel with USAID humanitarian field teams to present a more unified US government humanitarian voice to partners.

9. Get food aid reform over the goal line (and take USDA out of the game)

President Trump's proposal in the 2018 budget to eliminate commodity-based food aid via the Food for Peace/Title II and McGovern-Dole Food for Education accounts rightly cites these as inefficient ways to address food needs. With this proposal, he becomes the third consecutive president to call for reforming US food aid programs. His proposal to fully cut these programs' funds, rather than shifting the money into more efficient mechanisms, is wrong-headed. But the underlying aim of consolidating food assistance resources at USAID is sound and builds on his predecessors' efforts.

President Bush first called for reforming US food aid in his proposal for the 2007 farm bill, and President Obama took this vision forward in the 2012 farm bill and his 2014 budget request.[32] This reform process has yielded important progress—nearly eliminating the inefficient practice of "monetization" (re-selling US food aid to fund food security programs) and dramatically reducing the proportion of US food aid that must be purchased and shipped using costly US vendors.

But the process remains incomplete. Most food aid funded through Food for Peace/Title II must still be procured from US farmers and at least half must be shipped on US-flag-carrier vessels. This adds significant cost and delays to food aid delivery.[33] In addition, the management of food purchases by the US Department of Agriculture (USDA) adds

[32] Kim Elliott, "A Welcome Half Loaf on Food Aid Reform," *Blog*, (Center for Global Development, 2013), https://www.cgdev.org/blog/welcome-half-loaf-food-aid-reform.

[33] "International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear," *Report*, (US Government Accountability Office, September 2015), https://www.gao.gov/products/GAO-15-666.

an inefficient bureaucratic layer to the process (as just one example: USDA spent $187 million to set up a web-based system[34] for managing food aid purchases, but it proved so unwieldy that USAID was unable to use it). And USDA's Food for Education program—which supports school meals for children in extreme poverty—has been plagued by weaknesses that the US Government Accountability Office (GAO) has found[35] impede its ability to ensure the program's objectives are being met.

The solution to these inefficiencies is not eliminating the programs wholesale but rather phasing out USDA's role in them. These programs were originally conceived of as a way to do some good in the world while unloading excess US food commodities, which gave USDA an appropriate role. But these programs are now principally about foreign aid, not US agriculture, and should be updated to reflect that reality. Consolidating all funding and authority for food aid programming into existing budget accounts at USAID would reduce duplicative bureaucracy. It would also enable US tax dollars to stretch further: tools like market-based household purchase support, and local and regional procurement of food aid, are cheaper alternatives to purchasing and shipping US-grown food commodities. Giving USAID greater flexibility to choose these tools when appropriate will make more efficient and effective use of finite resources.

Cross-cutting reforms

10. Streamline reporting requirements and create a standardized rating system for program effectiveness.

USAID staff are buried in layers and layers of reporting and administrative requirements that take away valuable time from their work on the programs themselves. Each individual requirement—whether about results, evaluation, performance management, or compliance—can be justified, but as a whole creates a burden that hampers effective pursuit of US goals**.** These requirements have accumulated over 50 years and are overdue to be streamlined to ensure they coherently support accountability, learning, and decision making. And despite an unwieldy set of requirements, there remains no standardized approach and framework to measure program effectiveness. State's Office for Foreign Assistance Resources collects a standard set of indicators for State and USAID programs—and USAID has an array of other program reports—but these are not

[34] "International Food Aid," *Report*, (US Government Accountability Office, March 2014), http://www.gao.gov/products/GAO-14-22.

[35] "International Food Assistance," *Key Issues Page*, (US Government Accountability Office), http://www.gao.gov/key_issues/international_food_assistance/issue_summary#t=0.

systematically combined with other data, analysis, and evaluation to numerically rate their overall effectiveness.

In partnership with Congress, USAID should conduct a review of reporting requirements and recommend a streamlined reporting process, including a proposal for assessing program effectiveness that enables analysis and comparison across USAID's program portfolio, an action recommended by CGD colleagues.[36] One example to look to is the World Bank's Independent Evaluation Group's rating system, which rates programs on a six-point scale based on a number of critical factors, including outcomes (relative to the major relevant program objectives), organizational performance, and monitoring and evaluation.[37] Importantly, it makes this assessment independently and transparently. Establishing and implementing a similar framework for US development assistance would be a big step forward in generating the data and information needed to increase effectiveness and efficiency. While additional factors such as national security priorities will inevitably and rightly play a role, a set of standard, comparable, and transparent ratings would help ensure that important data is considered in decision making.

11. Conduct a multilateral assistance review

US investments in multilateral institutions—such as UN agencies, the World Bank, and regional development banks—are a crucially important complement to US bilateral aid. Multilateral partnerships can achieve greater economies of scale, expanded reach at lower cost, leverage resources and expertise, and buttress international norms. For example, for every dollar the US invests in the World Bank, approximately $13 is leveraged from other donors and the Bank's internal resources,[38] and every dollar of US funding to multilateral development banks leads to $25 in lending.[39] But not all multilateral organizations are equally effective, and the US lacks an assessment framework to inform how it distributes the billions it invests through multilateral partnerships. And there is also no consistent US government approach toward which types of objectives are best achieved through multilateral versus bilateral partnerships. In the humanitarian sphere, for example, USAID relies heavily on bilateral programming and projectized support to

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[36] "Making USAID Fit for Purpose - A Proposal for a Top-to-Bottom Program Review."

[37] "World Bank Project Performance Ratings - Codebook," *Independent Evaluation Group Report,* (World Bank, September 2015), https://ieg.worldbankgroup.org/Data/reports/ieg-wb-project-performance-ratings-codebook_092015.pdf.

[38] "International Programs: Congressional Justification for Appropriations: FY2017," *Congressional Budget Justification*, (US Department of Treasury, 2017), https://www.treasury.gov/about/budget-performance/CJ17/FY%202017%20Congressional%20Justification%20FINAL%20VERSION%20PRINT%202.4.16%2012.15pm.pdf.

[39] Scott Morris and Madeleine Gleave, "Realizing the Power of Multilateralism in US Development Policy," *White House and the World 2016 Briefing Book,* (Center for Global Development, 2016), https://www.cgdev.org/sites/default/files/whw-multilateralism.pdf.

multilaterals, while State provides large-scale multilateral support with much lighter earmarking.

We recommend that the US establish an independent board to conduct a periodic multilateral aid review.[40] Like MCC's board, it should include US development agencies as well as bipartisan external experts. This review could be modeled after those conducted by the UK's Department for International Development (DFID) in 2011 and 2016.[41] The UK approach—of linking contributions to performance on its assessment framework (comprised of factors related to alignment with UK priorities and organizational strength) and action on identified deficiencies—has delivered enhanced accountability and transparency. Such a review would also better enable the United States to link multilateral funding to agency performance, providing a framework for partnering with other donors on reforms that increase value for money across the multilateral system.

12. Harmonize country-level development engagement strategies

While it may be tenable for US government development capacities to reside in different agencies based on their respective areas of expertise, country-level implementation should be better tailored and aligned based on a country's specific development needs. Agencies each develop their own plans but there is currently no comprehensive standard process for aligning and mobilizing the full suite of US development engagement tools into a coherent country-level agenda. Some ambassadors facilitate this under chief of mission authority, but it is not standard practice, and in any case most ambassadors lack a deep background and training in development practice. Ambassadors lead the development of Integrated Country Strategies that incorporate interagency overseas activities every three years and USAID develops Country Development Cooperation Strategies every five years.[42] While these strategies are important high-level documents that frame major work streams, they do not address many aspects of coordinating across planning and implementation benchmarks that occur on an annual and monthly basis.

To move past a piecemeal approach to interagency development coordination at the country level, USAID, MCC, PEPFAR, OPIC, and any other relevant US government development assistance providers should convene a formal process for coordinating and harmonizing their development investments. This would not replace agencies' own strategic planning processes, but rather would seek to ensure improved alignment of tools, more unified and cohesive engagement with host country counterparts, and reduced

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[40] Ibid.

[41] See: "Raising the Standard: the Multilateral Development Review 2016, *Report*, (UK Department for International Development, 2016), https://www.gov.uk/government/publications/raising-the-standard-the-multilateral-development-review-2016; "Multilateral Aid Review 2011," *Report*, (UK Department for International Development, 2011), https://www.gov.uk/government/publications/multilateral-aid-review.

[42] "Country Strategies (CDCS)," *Web page*, (USAID, March 2017), https://www.usaid.gov/results-and-data/planning/country-strategies-cdcs.

duplication of effort. This process should be led at the field level, supported by corresponding interagency engagement at headquarters level in Washington.

13. Rationalize USAID hiring mechanisms

Like any federal agency, USAID struggles with the federal government's anachronistic personnel management systems. However, USAID faces a particular challenge in that Congress caps its allotment of federal direct hire positions. This leaves USAID heavily and haphazardly dependent on contractors. Dependence on contractors is not an inherently bad thing—many USAID contractors play vital roles in advancing USAID's mission. And the flexibility of contractor staffing enables some USAID units to adjust staff coverage to changing needs without incurring permanent staffing mortgages. However, USAID's allocation of roles between federal employees and contractors is inconsistent. Roles that in some bureaus are covered by contractors are covered in others by direct-hire employees; in some cases, direct-hires encumber junior-level or administrative positions, forcing USAID to use contractors for more senior roles.

USAID has also been far too tentative in using the "Foreign Service Limited" (FSL) staffing authority granted by Congress, which allows USAID to make direct hire appointments for a finite time frame. Making more ambitious use of this authority would give USAID a powerful staffing tool—one that confers the benefits of a direct hire, such as the ability to supervise staff, while retaining flexibility to adjust staffing as needs change. FSL authority has been underutilized, in part because of perceptions that the career service staff unions are hostile to the FSL mechanism.

USAID should undertake an internal review of its allocation of staffing mechanisms to ensure a more strategic use of direct-hire, contractor, and FSL mechanisms. In particular, given the finite number of permanent direct-hire slots allotted to USAID, it should review how it balances use of permanent direct-hire slots for roles that cover strategically critical functions, and the rationale for using them for lower-level administrative or program management roles that could be effectively covered via contractor or FSL mechanisms.

14. Review the rationale for the African Development Foundation and the Inter-American Foundation—but don't throw out the baby with the bathwater

The FY2018 Trump budget proposes eliminating Congressional funding for the African Development Foundation (ADF) and the Inter-American Foundation (IAF), small federal development agencies that are independent of USAID. Amidst a push for government streamlining, it is fair to take a fresh look at these allocations—but any move to eliminate them should ensure that valuable development tools are not lost in the process.

The two foundations are constructed as independent federal agencies with independent boards of directors. Their core development objectives overlap heavily with USAID's mission and funding mechanisms, so it is unclear whether their functions still require distinct independent government agencies. If Congress and the administration do choose to eliminate the ADF and IAF, they should shift 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.

Major structural reform: Options for consideration

The above reforms represent incremental steps toward a more coherent US development architecture. These are useful and important, but in the longer term a deeper set of structural reforms will be needed to fully align US development institutions around the four priorities this note proposes. Given the opportunity cost and investment of time, money, and political capital needed to design and implement major changes, such reforms must be pursued carefully and thoughtfully, and in close consultation with Congress. It is critically important that any major structural changes be enshrined in legislation—both because the rickety Foreign Assistance Act is badly in need of an overhaul, and because congressional buy-in will be central to ensuring that any major changes outlast the administration that enacts them.

In building greater structural coherence across the US development architecture, we see several important elements:

- **Thematic organizing structure.** The missions of the component institutions that make up the US development architecture should be aligned toward the major priorities of state fragility, inclusive growth, global health, and humanitarian aid.

- **Empowered coordination structure.** Given the inherent interconnectedness of these priorities, any new organizational structure must have an empowered process for coordinating roles, responsibilities, and burden-sharing among US development institutions. This is not a role that the National Security Council or Office of Management and Budget could feasibly play, as it would take more bandwidth than they could dedicate and would require a level of programmatic granularity that the White House could not realistically or appropriately engage in.

- **Unified leadership.** A greater degree of unified leadership across US development institutions will also foster greater coherence. Currently USAID, PEPFAR, MCC, and the Treasury Department—among others—report to different bureaucratic masters. This makes it difficult to build alignment as it means the buck stops in several different places.

The operative question for policymakers is how deeply the architecture need be reorganized in order to deliver improved efficiency and performance. The options below provide different levels of ambition, based on prior government reorganization initiatives. Policymakers must also consider that ambitious reforms exact a cost in their own right, by absorbing leadership and staff bandwidth and disrupting existing institutions. We also believe it is important that development perspectives and expertise have a distinct voice in the national security policy process, and so under any scenario (including the status quo), the USAID administrator (or a successor position) should have a formal seat on the President's National Security Council.

1. Loose central coordination: The F Process model

In 2006 President Bush and Secretary of State Condoleezza Rice launched the "F Process," which aimed to foster more effective and accountable foreign assistance by creating a new State Department Foreign Assistance Bureau. The so-called F Bureau was headed by the USAID administrator, dual-hatted as the director of foreign assistance and empowered at the level of a deputy secretary of state. The reforms brought a degree of improved budgetary coherence—but covered only State and USAID assistance flows, unwisely stripped core budget and policy capacities from USAID, and lacked congressional buy-in. President Obama reversed many of these changes once he took office, removing the USAID administrator's dual-hat and creating a new deputy secretary of state for management and resources, as well as a stand-alone director of foreign assistance budgeting. Obama restored budget and policy capacities to USAID, but by leaving a duplicative budget review layer at State, he further diminished the USAID administrator's control of their own agency's budget decisions.

Neither the Bush nor Obama approaches were ideal. However, with congressional consultation and buy-in, and attention to other past challenges, a variant of the F Process could bring somewhat greater coherence without requiring a major realignment of US development institutions. Unlike in the previous iteration, the director's remit would extend to coordination of all US official development assistance, including MCC, Health and Human Services, Department of Agriculture, and Treasury Department programs. The line management of these programs within their respective agencies would not change, but the director would be charged with ensuring effective coordination of assistance streams across the respective agencies. Under this construct, the USAID administrator could again be dual-hatted as the director of US foreign assistance, with responsibility for direct coordination and oversight of State and USAID assistance funds. With this dual-hat scenario, the F Bureau staff could be moved from State into USAID to serve as an advisory unit to the administrator in their capacity as director of foreign assistance, and F's budgetary role modified to advise on interagency budget coordination rather than to serve as a formal budgetary approval layer between OMB and the assistance agencies.

Advantages: This approach would enable enhanced coordination with only modest legislative changes, and no large-scale restructuring of the underlying federal agencies. It would reinforce the USAID administrator's authority as the government's lead development official.

Disadvantages: By creating interagency coordination authority without comparable budgetary or line management authority, this approach would leave the director of foreign assistance with limited tools to drive enhanced coordination and policy coherence.

2. Empowered central coordination: The ODNI model

The US intelligence community after 9/11 faced a structural challenge similar to that facing the development architecture today. It was composed of numerous independent agencies, with distinct but interrelated functions, that did not communicate or coordinate effectively with each other. Like the US development architecture, the whole was less than the sum of its parts. In 2004 Congress passed legislation to create a new leadership structure for the intelligence community, bringing all agencies under the oversight and budgetary authority of a newly created director of national intelligence (DNI). The underlying institutional architecture of distinct intelligence agencies was largely left intact, and the Office of the DNI was created as an independent agency to support the director. The DNI serves as the president's chief intelligence advisor, has nominal oversight of all intelligence budgets across the US government, and is nominally empowered to set priorities across the intelligence community and reallocate staff across agencies. The DNI approach has fostered improved coordination across the intelligence community, but has arguably fallen short of curtailing the turf wars and institutional divisions that still exist.

In a development context, this model could be applied either by empowering the USAID administrator as director of international development, or by creating a new director of international development position distinct from USAID. This arrangement would leave the basic institutional architecture intact, but empower the director with formal budgetary and high-level policy oversight of all US official development assistance. The director would be supported by a standalone Office of International Development, which would coordinate policy and budget priorities across the constituent agencies. This office would orient the focus and activities of those agencies in line with the four overarching priorities outlined above. In such a model, global health would be led by USAID, in coordination with CDC and the State Department. Humanitarian assistance would be led by USAID in coordination with State's Refugee and International Organizations bureaus. The formal development mission of USAID would be refocused on addressing the priority area of state fragility and extreme poverty, accompanied by a corresponding internal reorganization at USAID. Finally, inclusive growth would be led by the MCC, in collaboration with Treasury, OPIC, and parts of USAID. Each core development priority would be backstopped by a coordination team within the Office of the Director, charged with interagency policy coordination.

Advantages: This approach would enable stronger coordination without requiring a large-scale restructuring of the underlying federal agencies, and would create a more formal institutional chapeau to maintain focus on core overarching priorities. If the USAID administrator were designated as director for international development, it would reinforce the administrator's authority as the government's lead development official. This would require new legislation, but likely short of a full rewrite of the Foreign Assistance Act.

Disadvantages: If the director position were not dual-hatted with the USAID administrator, it could create tension as to who speaks for overall US development policy. Per the ODNI experience, some level of interagency tension over turf would likely persist under this model.

3. Full structural consolidation: The DHS Model

The post-9/11 reforms to law enforcement and domestic security functions took a different approach. The Homeland Security Act of 2002 created a new cabinet department, absorbing several independent federal agencies, and taking over functions such as immigration and border protection from the Justice and Treasury Departments. Many of these core functions were integrated as subordinate bureaus within the new Department of Homeland Security, while some (such as the Federal Emergency Management Agency and the Coast Guard) retained their own distinct institutional identity. The DHS secretary exercises full oversight and authority over policy, budget, and personnel matters within the department. A series of offices managing department-wide budget, policy, coordination, legal, and related functions support the secretary's management and oversight of the department's constituent parts. The consolidation of such a large range of different agencies and functions into a single institution has proved to be an extraordinary management challenge. A decade and a half on from its inception, DHS remains plagued by such substantial administrative and morale problems that GAO considers DHS management a "high risk issue."[43]

Applied to the US development architecture, this model would create a substantively new US development agency. The new agency would comprise existing USAID functions, and would also absorb all other major global development functions and budgets from across the government. This would include, among others, MCC; PEPFAR; the multilateral development bank functions at the Treasury Department; the Population, Refugees, and Migration and International Organizations bureaus at the State Department; and OPIC. The new agency would be structured into four main institutional

[43] "DHS Management - High Risk Issue," *Key Issue Page*, (US Government Accountability Office), https://www.gao.gov/key_issues/dhs_implementation_and_transformation/issue_summary#t=0.

components focused on global health, humanitarian assistance, state fragility, and economic growth. The agency would be headed by an administrator with cabinet rank.

Advantages: This model provides the greatest potential for policy and programmatic alignment, as the core development functions would be fully integrated within a single structure, budget process, and chain of command.

Disadvantages: A full integration model would be extremely onerous and disruptive. The experience of DHS suggests that full integration would place a substantial management burden on the new institution's constituent parts. In addition, this option would require a major congressional push, across multiple authorizing committees and appropriations jurisdictions, to pass new legislation enshrining these deep structural changes.

Each of these three models has strengths and weaknesses. A more comprehensive analysis of cost, benefit, and feasibility would be required to fully evaluate them against each other.

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In the current environment, it is difficult to imagine that Congress and the administration have the level of energy and focus on the development architecture to mount a major overhaul that would inevitably run into serious political and practical roadblocks along the way. Therefore, we advocate the pursuit of the 14 recommendations above as a more immediate means to show significant progress on increasing US development effectiveness and efficiency—a laudable and necessary endeavor—while also paving the way for more significant reforms in the future. Practical success in the near and medium term would show that greater value for money is possible and energize internal and external constituencies to pursue bolder changes to align the US development architecture with the challenges of today and tomorrow.