Foreign Aid Reform, National Strategy, and the Quadrennial Review

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Summary

Several development proponents, nongovernmental organizations (NGOs), and policymakers have pressed Congress to reform U.S. foreign aid capabilities to better address 21st century development needs and national security challenges. Over the past 50 years, the legislative foundation for U.S. foreign aid has evolved largely by amending the Foreign Assistance Act of 1961 (P.L. 87-195), the primary statutory basis for U.S. foreign aid programs, and enacting separate freestanding laws to reflect specific U.S. foreign policy interests. Many describe U.S. aid programs as fragmented, cumbersome, and not finely tuned to address overseas needs or U.S. national security interests. Lack of a comprehensive congressional reauthorization of foreign aid for half of those 50 years compounds the perceived weakness of U.S. aid programs and statutes.

The structure of U.S. foreign aid entities, as well as implementation and follow-up monitoring of the effectiveness of aid programs, have come under increasing scrutiny in recent years. Criticisms include a lack of focus and coherence overall; too many agencies involved in delivering aid with inadequate coordination or leadership; lack of flexibility, responsiveness, and transparency of aid programs; and a perceived lack of progress in some countries that have been aid recipients for decades. Over the last decade a number of observers have expressed a growing concern about the increasing involvement of the Department of Defense in foreign aid activities. At issue, too, has been whether the U.S. Agency for International Development (USAID) or the Department of State should be designated as the lead agency in delivering, monitoring, and assessing aid, and what the relationship between the two should be.

The Obama Administration, led by Secretary of State Hillary Clinton, Secretary of Defense Robert M. Gates, and USAID Administrator Rajiv Shah, announced action to seek solutions to the problems associated with foreign aid and begin the process of reform. Secretary Clinton announced in July 2009 that the Department of State would conduct a Quadrennial Diplomacy and Development Review (QDDR) to address issues involving State Department and USAID capabilities and resources to meet 21st century demands. In September 2010, the President signed a Presidential Study Directive (PSD) on U.S. Global Development Policy to address overarching government department and agency issues regarding foreign aid activities and coordination. Secretary Clinton presented the QDDR report in December 2010.

Foreign aid reform was a key area of focus throughout the 111th Congress, although no comprehensive reform legislation was enacted. Representative Berman, then-chairman of the House Foreign Affairs Committee (HFAC) in the 111th Congress, stated on the committee website in 2009 and 2010 how foreign assistance reform was a top priority. In 2009, he introduced H.R. 2139, Initiating Foreign Assistance Reform Act of 2009. Between July 2009 and May 2010, Chairman Berman released several discussion papers on foreign aid reform, as well as a discussion draft of the first 55 pages of possible foreign aid reform legislation.

In the Senate, Senator Kerry, chairman of the Senate Foreign Relations Committee (SFRC), Senator Lugar, ranking minority member, and others introduced a reform bill, S. 1524, the Foreign Assistance Revitalization and Accountability Act of 2009. The Senate did not consider H.R. 2410, the House-passed Foreign Relations Authorization Act of 2010 and 2011 requiring a national strategy for development and a quadrennial review of diplomacy and development.

Foreign aid reform may continue to be a concern in the 112th Congress. This report addresses aid reform through early 2011 and will not be updated.
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Recent Developments

Several actions occurred throughout the past year related to foreign aid reform, including:

- On December 15, 2010, Secretary of State Hillary Clinton released the Obama Administration’s Quadrennial Diplomacy and Development Review (QDDR), outlining the direction for foreign aid reform and elevating as well as integrating diplomacy and development to be more effective and more on par with defense as foreign policy tools.

- On September 22, 2010, President Obama signed a Presidential Policy Directive (PPD) on Global Development emanating from the Presidential Study Directive on Global Development (PSD-7) to improve agency coordination and identify foreign aid with foreign investment. The directive places a premium on economic growth and democratic governance, uses a new business model to be a more effective development partner, and creates a new government architecture that elevates development as a key pillar of U.S. foreign policy.

- On June 29, 2010, House Foreign Affairs Committee Chairman Berman released a discussion draft, “Global Partnerships Act of 2010,” which provided a preamble and first title of the House bill to revamp the Foreign Assistance Act of 1961. The discussion draft established a new framework for U.S. foreign aid; stated seven purposes of foreign assistance, placing “Reducing Global Poverty and Alleviating Human Suffering” as the number one purpose; and required the President to develop and implement rigorous monitoring and evaluation systems. It also provided authorization language to create a Development Support Fund to encourage long-term, sustainable development activities in developing countries.

- The President released the National Security Strategy in May 2010, providing a glimpse of some foreign aid priorities within the Administration’s national security agenda. Among other things, the strategy included a “whole-of-government” approach to integrate all tools, including those in defense, diplomacy, and development, and to improve coordination of foreign assistance programs, as well as activities advancing democracy and human rights. It emphasized improved working relationships with allies and partners, expanding multilateral development institutions, engaging others to share the burden, and investing in long-term development activities.

Historical Perspective

For years, many foreign aid experts have expressed concern about ongoing inefficiencies associated with the overall organization, effectiveness, and management of U.S. foreign aid. Specific problems most commonly cited include the lack of a national foreign assistance strategy; failure to elevate the importance and funding of foreign aid to be on par with diplomacy and defense as a foreign policy tool; lack of coordination among the large number of Cabinet-level departments and agencies involved in foreign aid, as well as fragmented foreign aid funding; a need to better leverage U.S. multilateral aid to influence country or program directions; and a lack of visibility at the Cabinet level for the U.S. Agency for International Development (USAID)—the primary administrator of aid programs. Also related is the debate among some lawmakers and policymakers about how to strengthen USAID’s role in aid planning, decision making, and
implementation, as well as whether to designate it as the lead coordinator of all entities involved with U.S. development and humanitarian assistance programs in Washington and in aid-recipient countries.

Regarding aid programs, some cite a lack of flexibility and responsiveness of aid programs to react quickly to events and needs on the ground. Another criticism is a perceived lack of progress in some countries that have been aid recipients for decades. And a growing concern, especially on the part of the nongovernmental organization (NGO) community, is the increasing involvement of the Department of Defense (DOD) in disbursing foreign aid, rising from 29% in 2001 to 60% in 2007 (including aid to Iraq and Afghanistan).¹

The Foreign Assistance Act of 1961 (FAA), as amended (P.L. 87-195; 22 U.S.C. 2151 and following, the main statutory basis for aid programs), is viewed by most development experts as being outdated and not reflecting current international conditions. It contains an emphasis on the Cold War and communism with a multitude of goals and outdated priorities and directives, many of which have been appended piecemeal to the original act. In addition, Congress has enacted over 20 other pieces of legislation establishing foreign aid authorities outside the FAA, adding to the diffusion of aid responsibility and initiatives within U.S. foreign policy overall. Many claim that the FAA needs to be rewritten in order to streamline and add coherence to a piece of legislation that has been amended frequently since its enactment nearly 50 years ago.

Recommendations on rewriting the FAA include stripping foreign aid legislation of fragmentary earmarks, aid restrictions, and aid procurement rules; refocusing aid on the core mission of poverty reduction; and restructuring aid legislation to set development goals based not on outdated Cold War-era policy, but rather on the realities facing the United States in a post-9/11 environment.

A number of nongovernmental organizations, development experts, and policy makers have pressed Congress and the Administration to take steps to reform the U.S. foreign aid program. Several actions occurred in 2009 and 2010, including introduction of legislation to reform certain aspects of foreign aid, a State Department announcement of a quadrennial review, and a Presidential Study Directive (PSD) on U.S. Global Development Policy.

Interest in Elevating Diplomacy and Development

Over the years, interest in diplomacy and development as foreign policy tools has crossed the political spectrum. The terrorist attacks in 2001, however, highlighted a renewed interest in the benefits of diplomacy and development working more effectively along with defense toward U.S. national security goals. Both the Bush and the Obama Administrations, as well as Republican and Democratic Members of Congress, have expressed support for strengthening these tools.

Soon after the 9/11 terrorist attacks, the George W. Bush Administration directly linked diplomacy and development to national security interests of the United States and stated the importance of elevating diplomacy and development to be more on par with defense. In its 2002

¹ Excluding aid to Iraq and Afghanistan, DOD disbursement of aid amounts to 38% of total disbursements in FY2007. For more detail, see CRS Report R40756, Foreign Aid Reform: Agency Coordination, by Marian Leonardo Lawson and Susan B. Epstein.
National Security Strategy the Bush Administration stated, “We will actively work to bring hope of democracy, development, free markets, and free trade to every corner of the world.”

Continuing that theme in the 2006 National Security Strategy, the Administration said, “Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies. Improving the way we use foreign assistance will make it more effective in strengthening responsible governments, responding to suffering, and improving people’s lives.”

In the FY2007 foreign affairs budget request, the Bush Administration stated, “There are no hard lines between our security interests, our development interests, and our democratic goals.” Many observers, however, have questioned whether the rhetoric has been matched by related policies.

### Issues and Actions During the George W. Bush Administration

By the first term of the George W. Bush Administration, after years of declining aid funding, there was widespread agreement that foreign aid was an important U.S. foreign policy tool and reform of it would be necessary for aid to achieve optimal effectiveness in its contribution toward U.S. foreign policy and national security goals. In August 2003, then-Secretary of State Colin Powell and USAID Administrator Andrew Natsios released their *Strategic Plan, Fiscal Years 2004-2009, Aligning Diplomacy and Development Assistance*. Its mission statement said, “In the coming years, the principal aims of the Department of State and USAID are clear. These aims are anchored in the President’s *National Security Strategy* and its three underlying and interdependent components—diplomacy, development, and defense.”

The Bush Administration made several changes to the foreign aid structure, in addition to significantly increasing its overall budget. The President’s Emergency Plan for AIDS Relief, the largest program targeting a single disease, was announced in 2003. In 2004, the Administration established the Millennium Challenge Corporation, an independent government entity that provides aid to countries that demonstrate good governance practices, economic reforms, and the capability to use aid effectively. In 2005, then-Secretary of State Condoleezza Rice announced the concept of transformational diplomacy and development to “enhance the accountability, effectiveness, efficiency, and credibility of foreign assistance by introducing a system of coordinated planning, budgeting, and evaluation.”

Transformational development resulted in what was commonly referred to as the F process. In 2006, Secretary of State Condoleezza Rice created the Foreign Assistance (F) Bureau and a new position—Director of Foreign Assistance (DFA)—within the Department of State to more closely align the USAID budget and activities with the State Department’s foreign policy objectives. The F process was to develop a coherent, coordinated foreign assistance strategy; provide multiyear country-specific assistance strategies; consolidate policy planning, budget, and implementation mechanisms to improve leadership in aid activities; and provide guidance for other government

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6 Laura Wilson, Former Senior Advisor to Ambassador Randall Tobias, Director of U.S. Foreign Assistance and Administrator, USAID, U.S. Department of State. See *George Bush’s Foreign Aid, Transformation or Chaos*, by Carol Lancaster, Center for Global Development, 2008, p. 33.
agencies involved in aid activities. The F Bureau developed a Strategic Framework for Foreign Assistance to align U.S. aid programs with strategic objectives. The Framework guided the writing of the FY2008 and FY2009 budgets under President Bush.

During the Bush Administration an increasing portion of total aid was being delivered by DOD, largely due to the wars in Iraq and Afghanistan involving emergency humanitarian assistance, as well as reconstruction and stabilization activities. DOD’s role in disbursing foreign aid has its advocates and detractors in State, DOD, and the NGO community. NGOs increasingly have voiced their concern about people in military uniforms handing out American aid. Secretary of Defense Robert Gates has stated in the past that DOD personnel do not have expertise or the mission for delivering aid.

**Issues and Actions Early in the Obama Administration**

The Barack Obama Administration acknowledges the need to elevate diplomacy and development and, at the same time, acquire the right balance with defense. Transitioning into the Obama Administration, Secretary of Defense Robert Gates, a carryover member of the Bush Administration, stated in early 2009 that there needs to be a balance with development supporting diplomacy and working together with defense to achieve national security goals.

Secretary of State Hillary Clinton spoke on several occasions about the importance of the diplomacy and development dimensions in executing “smart power” and outlined six steps the Administration has already taken to improve foreign aid, including partnering with aid-recipient countries rather than dictating uses of aid; seeking a “whole-of-government” approach to integrate more fully and coordinate development activities among all aid-implementing agencies, but particularly those involved with defense and diplomacy; and targeting investment and technical support in a few sectors, such as agriculture, health, security, education, energy, and local governance. She has emphasized that this does not mean the United States will give up long-term development goals for short-term objectives, or hand over more development work to diplomats and defense experts. For example, in one speech she stated, “What we will do is leverage the expertise of our diplomats and military on behalf of development, and vice versa. The three Ds (defense, diplomacy, development) must be mutually reinforcing.”

**The Quadrennial Review**

Some foreign aid and national security experts have suggested that interagency cooperation on foreign policy objectives and improvements in U.S. national security with a “whole-of-government approach” could emanate from a foreign affairs quadrennial review process similar to

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7 In addition, DOD provides military assistance and training to numerous strategic partners around the world, as well as emergency assistance to countries where natural disasters have occurred, such as the 2004 tsunami in the Indian Ocean and the 2010 earthquake in Haiti. For more on Haiti, see CRS Report R41023, *Haiti Earthquake: Crisis and Response*, by Rhoda Margesson and Maureen Taft-Morales.


DOD’s Quadrennial Defense Review (QDR), which assesses whether U.S. national defense strategy supports U.S. national security objectives. In 2007, for example, the HELP Commission recommended a Quadrennial Development and Humanitarian Assistance Review (QDHR) to require that U.S. development efforts be reviewed every four years to evaluate their effectiveness. According to the commission, this review should propose any needed changes to U.S. development objectives and how the government approaches them. The contents of this document should influence both the National Security Strategy (NSS) and the National International Affairs Strategy (NIAS) and should be modeled on the Quadrennial Defense Review. Reviews might also be conducted for other functions of civilian foreign affairs.

Many in the 111th Congress and the Obama Administration agreed on establishing a quadrennial review for the civilian foreign affairs agencies. While the President can establish a quadrennial review without congressional action, having it in statute would ensure that a review will take place every four years, regardless of future presidential priorities.

On July 10, 2009, Secretary of State Clinton launched a new Quadrennial Diplomacy and Development Review (QDDR), modeled after the Pentagon’s Quadrennial Defense Review. The primary goal of the QDDR, according to Department of State officials, was to strengthen the institutional capabilities of the civilian foreign affairs agencies to meet 21st-century demands. The focus, they said, would be on the diplomacy and development tools that currently exist and how to make them more effective, agile, and complementary. The review would also consider what State and USAID capabilities will be needed in 10 years, and what needs to be done to achieve them. The intention, according to Secretary Clinton, was to elevate diplomacy and development as key pillars of our national security strategy. Initiating the QDDR was just the beginning of a longer-term process to institutionalize an ethic of review, analysis, and responsiveness, the Secretary said.

**QDDR Recommendations**

The first ever Quadrennial Diplomacy and Development Review (QDDR), released December 2010, provides a road map for the direction the Obama Administration intends to go in adapting foreign policy agencies and personnel to the 21st-century world, elevating civilian power alongside military power as co-equal tools in achieving U.S. foreign policy goals, reforming foreign aid, improving program coordination, and monitoring and assessing aid programs to promote performance-based resource allocations in the future. The QDDR provides both overarching and organizational recommendations.

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12 For more details on the QDDR, see http://www.state.gov/s/dmr/qddr/.
Overarching Changes

The QDDR contains a number of broad recommendations intended to create an atmosphere promoting accountability and coordination of foreign aid actors. These recommendations include the following:

- Holding Chiefs of Missions accountable as Chief Executive Officers of interagency missions and empowering the Chiefs of Missions with the authority to direct, supervise, and coordinate all civilian personnel at overseas posts. In addition, the Department of State will also seek input from other agencies in reviewing the performance of the Chiefs of Missions.

- Replacing the Civilian Reserve Corps with an Expert Corps to draw on expertise across the government agencies and in the private sector, but seeking expertise in other federal agencies when appropriate, before turning to private contractors. This will be more cost effective and will help federal agencies build lasting relationships and skills in the field.

- Embracing the latest technologies for global networking and collaboration and to improve availability of resources where they are most needed.

- Focusing on gender equality and incorporating women and girls into overseas investments and efforts.

- Making public diplomacy a key aspect of U.S. diplomacy by building regional media hubs staffed by skilled communications experts to allow the United States to participate in public dialogue anywhere and instantly.

- Creating a more balanced mix of direct-hire personnel and contractors to enable the U.S. government to be flexible, but also set priorities, make policy decisions, and properly oversee grants and contracts.

- Changing past practices of spreading aid too thin by focusing development efforts on six specific areas: sustainable economic growth, food security, global health, climate change, democracy and governance, and humanitarian assistance. Making USAID the lead agency for Food Security and Global Health.

- Ensuring that funding is linked to performance and strategic plans and making aid more transparent via USAID’s “Dashboard.”

- Monitoring and evaluating programs better to measure performance, stay with what works, and guide resource requests.

- Establishing multi-year strategic plans for State and USAID that guide resource requests and use, and better align budgets to transition to a multi-year budget formulation based on country and bureau strategies. As of FY2013, USAID will submit a comprehensive budget proposal, with the Secretary of State’s approval, that will be included in the broader State-Foreign Operations request.

Organizational Changes

The QDDR recommends numerous structural changes, primarily in the Department of State, to improve coordination of aid, but also to promote foreign aid activities of interest to the Obama
Administration. Some will be accomplished by renaming and refocusing existing entities. Others may need new authorities. For example, it seeks to

- create an Under Secretary for Economic Growth, Energy and the Environment to enhance U.S. effectiveness on these global issues;
- establish a new Bureau for Energy Resources;
- elevate economic diplomacy as an essential strand of foreign policy and appointing a Chief Economist to create an early warning system to identify issues at the intersection of economics, security, and politics;
- create an Under Secretary for Civilian Security, Democracy and Human Rights to advance human security;
- expand the role of the Under Secretary for Arms Control and International Security Affairs by establishing a new Bureau for Arms Control, Verification, and Compliance; restructuring the Bureau of international Security and Nonproliferation;
- establish (with Congress) a Bureau for Counterterrorism;
- establish a Coordinator for Cyber Issues;
- make specific changes to regional bureaus and the Bureau of International Organization Affairs to integrate regional and multilateral institutions; and
- establish regional embassy hubs for experts in cross-cutting issues such as climate change, or conflict resolution.

The Presidential Study Directive on U.S. Global Development Policy

On August 31, 2009, President Obama authorized a Presidential Study Directive on U.S. Global Development Policy (PSD-7) to provide a U.S. government-wide review of global development policy (http://www.modernizingforeignassistance.org/blog/2009/09/02/white-house-joins-the-party-on-development-policy/). This inter-agency review signaled an interest in a more coordinated and strategic approach to development policy. It evaluated existing U.S. development activities, going beyond the Department of State and USAID to include Departments of Defense, Treasury, Agriculture and others in seeking to meet the complex challenges of the day, including global poverty, hunger and disease, as well as conflicts in Iraq and Afghanistan.

The PSD process was co-chaired by National Security Advisor James Jones and National Economic Council Director Lawrence Summers. An interagency committee representing 16 government departments and agencies conducted the study. The committee was chaired by the National Security Council Senior Director for Development and Democracy, Gayle Smith. The committee’s work was reviewed by both the National Security Council and the National Economic Council. In addition, the PSD team consulted with House and Senate foreign affairs committee staff, according to an NSC official involved with the PSD.

The PSD was conducted at the request of the President to formulate a global development policy for the entire executive branch, unlike the QDDR which was initiated by the Secretary of State
and was conducted by the Department of State and USAID to improve their institutional capabilities and resources. According to Administration officials, the two processes were coordinated, complementary, and mutually reinforcing; senior officials leading the QDDR were also members of the committee carrying out the PSD.\(^{13}\)

In early May 2010, a copy of a draft PSD report became available to the public.\(^ {14}\) The draft, *A New Way Forward on Global Development*, established a deliberate development policy that would, among other things, foster emerging markets and democratic governance, leverage the power of research and development, invest in sustainable systems that promote development within countries such as health and food production, tailor development strategies to fit each country, and improve coordination between the Department of State and USAID. Similar to the National Security Strategy, the PSD draft emphasized elevating development as a central pillar of our national security strategy by including USAID in National Security Council meetings when appropriate.

### Presidential Policy Directive on Global Development (PPD) Results

Previously referred to as the Presidential Study Directive on Global Development (PSD-7), President Obama signed the Presidential Policy Directive (PPD) on Global Development on September 22, 2010.\(^ {15}\) The PPD underscores the need to elevate development as a pillar of U.S. national security policy and reestablish the United States as the global leader on international development. The intent is for development, diplomacy, and defense to be mutually reinforcing and complementary. Within the context of the PPD, the Administration names USAID as the lead agency on development and establishes a global development advisory committee. It also identifies three pillars of its global development policy: focusing on sustainable development outcomes, leveraging leadership while becoming a more effective partner, and harnessing development capabilities to support common objectives. In support of these three pillars, the Administration cites several new approaches:

- elevate broad-based economic growth as a top priority;
- seek increased use of new technologies in development, such as vaccines for neglected diseases, weather-resistant seed varieties, and clean energy innovations;
- balance use of military and civilian power in conflict and humanitarian crises;
- adopt metrics related to objectives to measure progress;
- be more selective on which countries and sectors get attention;
- seek to establish country ownership and responsibility where aid recipients show high standards of transparency, good governance, and accountability;

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\(^{13}\) E-mailed information from the National Security Council, December 30, 2009.

\(^{14}\) The *Cable*, by Josh Rogin, posted May 3, 2010.

• establish a division of labor with other aid donors to avoid duplication of resources and efforts while filling gaps;
• strengthen U.S. support of multilateral development organizations; and
• increase resources and efforts to monitor and evaluate programs and reallocate aid resources accordingly.

Within the context of the PPD, the Administration seeks a closer working relationship with Congress on global development, including getting greater flexibility and a reduction in aid funding directives. Three initiatives of the PPD include

1. Feed the Future (FTF), which promotes food security by collaborating with other donors and the private sector to chart country-owned strategies, including helping poor farmers increase production, market their goods, and earn a greater income;
2. Global Health Initiative (GHI), which builds on President George W. Bush’s President’s Emergency Program for AIDS Relief (PEPFAR) by implementing lessons learned over the past decade; and
3. Global Climate Change Initiative (GCCCI), which will integrate climate change considerations into foreign assistance programs.

National Strategy

Several foreign aid experts and organizations assert that before foreign aid reform can be successful, a national strategy should be in place to identify the goals for reform and to be able to determine if reform is moving aid in the direction of those goals. The HELP (Helping to Enhance the Livelihood of People around the Globe) Commission, a 21-member bipartisan commission established by Congress in the Consolidated Appropriations Act, 2004 (P.L. 108-199), reported that civilian foreign affairs would be well-served by imposing the same rigor to U.S. foreign assistance planning that is required in formulating the nation’s security and defense policies. These security policies are guided by long-term strategies, developed by the executive branch, and presented regularly to the legislative branch. The commission recommended requiring a National International Affairs Strategy to further elaborate U.S. international affairs objectives on both global and regional levels, as well as country-by-country. The proposed strategy would also outline government-wide capabilities and assistance needed to achieve these objectives. This strategy would cover all efforts funded by the International Affairs (150) budget function.16

The Government Accountability Office recommends that the Secretary of State work with all U.S. government entities involved in the delivery of foreign assistance to develop and implement a comprehensive, government-wide foreign assistance strategy, complete with time frames and measures for successful implementation. Involving other agencies in this effort could include adopting key practices that we have found to sustain and enhance interagency coordination and collaboration in addressing common goals.17

In May 2010, President Obama released his overall National Security Strategy. Chapters included “Invest in the Capacity of Strong and Capable Partners,” “Accelerate Sustainable Development,” and “Promote Democracy and Human Rights Abroad.” The National Security Strategy emphasized a whole-of-government approach to integrating and coordinating agencies and tools, including those of development and diplomacy, to advance our 21st century interests and security. While this was not the same as a national strategy on development, it gave a sense of some development priorities of this Administration, including working more effectively with aid recipients as partners, encouraging greater burden sharing among U.S. allies, investing in long-term development, and advancing democracy and human rights.

**Legislation on Foreign Aid Reform in the 111th Congress**

Many in the 111th Congress believed that mandating clear objectives for foreign aid, assessing whether or not aid is meeting those objectives, and then reporting on the findings are essential requirements for effective foreign aid reform. Establishing criteria and anticipated results for a more effective foreign aid program would result in elevating the status of development as a foreign policy tool, experts asserted. During the 111th Congress, Chairman Berman stated on the House Foreign Affairs Committee website that foreign aid reform was a priority; Senator Kerry (chair) and Senator Lugar (ranking member) of the Senate Committee on Foreign Relations, in a dear colleague letter, said: “In order for foreign aid to play its critical role, we must ensure that it is both effective and efficient.”

Legislation considered by the 111th Congress included some of those basic elements. Some praised the measures as good first steps in reforming foreign aid. At the same time, others criticized the legislation for not going far enough toward overhauling aid in order to elevate development’s status to where it can help toward reaching U.S. foreign policy goals.

Legislators in 2009 and 2010 held differing views on what was needed to adequately reform U.S. foreign aid, but many generally agreed that reform was needed. Representative Berman believed repealing the Foreign Assistance Act of 1961 and replacing it with a completely new act was necessary to achieve an aid program that reflects the challenges of the 21st century rather than the old Cold War mentality. A new act could state the broad purposes of assistance, such as reducing poverty, advancing peace, supporting human rights and democracy, building strategic partnerships, combating transnational threats, sustaining the global environment, and expanding prosperity through trade and investment. Flexibility in Washington through broader aid waiver and transfer authorities and streamlined reporting requirements, as well as greater flexibility in providing aid to recipient countries, could also be desirable. Transparency for the American public to see how their tax dollars are being spent on foreign assistance was another goal. Additionally, Representative Berman supported elevating and strengthening USAID to play a greater global development leadership and coordination role.

From July 2009 to May 2010, the chairman of the House Foreign Affairs Committee released a Concept Paper on Foreign Aid Reform and three discussion papers on Development Assistance...
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Reforms, Peacebuilding (released jointly with the Senate Foreign Relations Committee majority), and Human Rights and Democracy. Released on June 29, 2010, was a discussion draft, “Global Partnerships Act of 2010,” that provided the preamble and Title I of a foreign aid reform bill. It listed seven purposes of foreign aid, placing reducing global poverty and alleviating human suffering at the top of the list. It would have required the President to develop a rigorous evaluation and monitoring system and coordinate these activities among all agencies that implement foreign aid programs. The draft also encouraged private sector involvement in foreign aid and would have authorized Development Support Funds to encourage development of local capacity and sustainable institutions in the developing country.

Senator Kerry, chairman of the Senate Foreign Relations Committee, generally concurred with the importance of development, stating in a Senate report that “development is a third pillar of U.S. national security, but in resources and stature, our assistance programs are poor cousins to diplomacy and defense. Bolstering USAID’s relevance was contingent on three areas: (1) attendance at Cabinet meetings; (2) direct access to OMB on USAID’s budget matters; and (3) attendance at all relevant National Security Council meetings.” USAID also should take the lead in the field with the USAID mission director having primary responsibility for coordinating all U.S. development and humanitarian assistance activities in any recipient country, the report said.20

Senator Lugar, ranking minority member of the Senate Foreign Relations Committee, agreed that USAID should be the leading development agency and urged building USAID capacity by increasing its staffing and training. “To be a full partner in support of foreign policy objectives, USAID must have the capacity to participate in policy, planning, and budgeting.”21 Both Senator Kerry and Senator Lugar supported creating an independent evaluation group to measure and evaluate the impact of all U.S. foreign aid programs across all government entities.

In comparison, a 2010 House Foreign Affairs Committee concept paper from the Republican minority stated that comprehensive foreign aid reform should occur before increasing aid funding to avoid simply relabeling authorities without addressing the real challenges. Rewriting the Foreign Assistance Act of 1961 alone is not the answer, the paper stated. Also, it noted that U.S. foreign aid needs to end “top-down approaches,” giving aid to foreign government ministries’ budgets with little real benefit to the poorest in the country. The committee minority in FY2010 supported moving countries from aid toward trade and investment programs; efficiency and accountability should be required in determining the compensation of top staff of NGOs involved in foreign aid implementation; multilateral aid program reform should accompany U.S. foreign aid program reform; and objective criteria for assessing when aid recipient countries should graduate from U.S. programs should be included in any aid reform, it said.22

Legislation involving foreign aid reform provisions before the 111th Congress included the following:

- On June 10, 2009, the House passed the Foreign Relations Authorization Act, Fiscal Years 2010 and 2011 (H.R. 2410) that contained Sec. 302, Quadrennial

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21 Senate Foreign Relations Committee Holds Hearing on Foreign Aid and Development, July 22, 2009, p. 4.
Review of Diplomacy and Development (QRDD). This measure would have required the President to develop a national strategy on diplomacy and development by December 1, 2010, conduct a quadrennial review every four years, and consult with Congress on developing the national strategy.

- **S. 1524, the Foreign Assistance Revitalization and Accountability Act of 2009**, was introduced by Senator Kerry, Senator Lugar and others on July 28, 2009. The Senate Foreign Relations Committee reported the bill on November 17, 2009. It would have re-established within USAID a Bureau for Policy and Strategic Planning (closed during the Bush Administration and replaced by F) to be responsible for developing and formulating development policy in support of U.S. policy objectives. The bureau would have ensured long-term strategic planning for development policy and programs across regions and sectors and would have integrated monitoring and evaluation into overall decision making and strategic planning. Within that bureau the bill would have established an Office for Learning, Evaluation, and Analysis in Development to develop, coordinate, and conduct the monitoring of resources and evaluation of programs.

The legislation sought to strengthen and coordinate U.S. foreign aid overseas by directing USAID’s mission director in each country to coordinate all U.S. development and humanitarian assistance there. Furthermore, the bill would have established an independent Council on Research and Evaluation of Foreign Assistance to objectively evaluate the impact and results of all development and foreign aid programs undertaken by the U.S. government; and it would have re-established a center in USAID to build on what works and learn from what does not.

The bill would have improved USAID’s human resources capacity with new hiring and training and, similar to H.R. 2139 (below), would have promoted transparency regarding U.S. aid by requiring the President to publish information, on a program-by-program basis and country-by-country basis, in the *Federal Register*, including what projects are being implemented, as well as their outcomes. This was to allow American taxpayers and recipients of U.S. foreign aid to have full access to information on foreign assistance expenditures.

S. 1524 also urged the President to participate in multilateral efforts for international aid transparency, as established on September 4, 2008, at the Accra High Level Forum on Aid Effectiveness.²³

- **H.R. 2139, Initiating Foreign Assistance Reform Act of 2009**, introduced by Representatives Berman and Kirk on April 28, 2009 and referred to the House Committee on Foreign Affairs, would have: required the President to develop and implement, on an interagency basis, a “National Strategy for Global Development;” developed a monitoring and evaluation system; and established a foreign assistance evaluation advisory council. Like S. 1524, the bill expressed the sense of Congress that American taxpayers and recipients of U.S. foreign aid should have full access to information on U.S. foreign assistance, and that the President would be required to publish on a program-by-program basis and country-by-country basis information in the *Federal Register*. The bill urged the

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²³ Ministers from one hundred countries (including the United States), heads of bilateral and multilateral donor agencies, as well as leaders of nongovernmental organizations met in Accra, Ghana in September 2008 to improve foreign aid effectiveness.
President to participate in multilateral efforts to engage in international transparency, as agreed to on September 4, 2008, at the Accra High Level Forum on Aid Effectiveness.

- H.R. 2387, *Strategy and Effectiveness of Foreign Policy and Assistance Act of 2009*, introduced by Representative Ros-Lehtinen and others on May 13, 2009, and referred to the House Committee on Foreign Affairs, stated the sense of Congress that (1) the Secretary of State and the USAID Administrator should make funding decisions on the basis of a long-term strategy that addresses national security, diplomatic and foreign assistance objectives, and the needs of the United States; and (2) foreign affairs agencies’ budget requests should be more effectively integrated with national security objectives, program evaluation, and management. The legislation required reports for both.

**Conclusion**

The 111th Congress was ultimately unable to pass foreign aid reform legislation. Some suggest that foreign aid reform may be of interest to the 112th Congress as a way to improve aid effectiveness and reduce costs. The QDDR and the PSD’s resulting Presidential Policy Directive on Global Development may have funding implications for the FY2012 foreign affairs budget and may create a need for new authorizing legislation in the 112th Congress.

Possible passage of legislation by the 112th Congress requiring a national strategy and putting in statute an ongoing four-year review could provide clarity on the value of diplomacy and development. Building on those efforts, congressional action on foreign aid reform, whether in the form of a “first step” measure or landmark legislation might, in the short run, improve the cost effectiveness of foreign aid (with better monitoring and assessment of what works and what does not) and provide more performance-related results in future years—efforts, perhaps, that American taxpayers, national security experts, and development proponents could mutually support.

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