

Moving Forward, Looking Backward:  
A Historical Perspective on USAID Policy and Constraints

by Benjamin Edwards

B.A. in Psychology, May 2007, Reed College

A Thesis submitted to

The Faculty of  
The Elliott School of International Affairs  
of The George Washington University  
in partial fulfillment of the requirements  
for the degree of Master of Arts

January 31, 2014

Thesis directed by

Sean R. Roberts  
Associate Professor of the Practice of International Affairs  
& of Anthropology

Abstract of Thesis  
Moving Forward, Looking Backward:  
A Historical Perspective on USAID Policy and Constraints

The United States Agency for International Development is the premier US government agency responsible for conducting development activities around the world. In 2010 President Barack Obama issued the first Presidential Policy Directive on Development; shortly thereafter, USAID announced a new set of policy reforms, titled *USAID Forward*. These reforms are aimed at modernizing USAID, and reflect progressive development discourses of accountability, partnership, and host-country ownership. The current study addresses the USAID Forward reforms in a historical context, comparing them to the successes and failures of previous policy initiatives. The study finds that while the USAID Forward reforms are well aligned with progressive development discourses, they do not address the key institutional constraints the Agency has faced in the past, and continues to face in conducting its business. The study concludes with recommendations for further actions the Agency can take to increase its autonomy and discretion.

## Table of Contents

Abstract of Thesis .....	ii
Chapter 1: Introduction and Background .....	1
Chapter 2: Themes and Key Constraints.....	6
Chapter 3: Relevant Previous Policy Initiatives.....	11
Chapter 4: USAID Forward and PPD-6 .....	21
Chapter 6: Conclusion and Recommendations .....	38
Bibliography .....	41

## Chapter 1: Introduction and Background

The efficient and effective use of human and financial resources is a high priority for the US government, particularly in the current era of fiscal austerity. Across the government, departments and agencies must clearly delineate their organizational goals, resources, methods, and theories of change, and the resulting strategies must be both internally consistent and capable of functioning in the broader machinery of government and politics. The United States Agency for International Development (USAID) is no exception. In 2010, USAID launched the sweeping USAID Forward initiative as an effort to modernize its operations and policies in the face of growing sentiment that the Agency had lost its footing as the premier global development institution. USAID Forward “demand[s] a relentless focus on results” (USAID, 2010), and establishes indicators and methods of measurement designed to track Agency progress in re-attaining its status as a global development leader. The initiative focuses on maximizing cost effectiveness, promoting sustainable reforms in partner nations, and fostering innovative responses to development challenges. USAID Forward reflects an executive-level push by the Obama Administration to elevate development to the same foreign policy status as defense and diplomacy, which culminated in a Presidential Policy Directive on Development (PPD-6), the first of its kind.<sup>1</sup>

The reforms presented under USAID Forward represent the administration’s and the Agency’s best attempt to align US development policy with up-to-date theory and best practices. The 2005 Paris Declaration on Aid Effectiveness (OECD, 2005) and the subsequent Accra Agenda for Action (OECD, 2008) established host country ownership, measurable effectiveness, and stronger monitoring of development efforts for mutual accountability as key priorities in development programming going forward. Though USAID Forward reflects these priorities, many, if not most of the reforms proposed under USAID Forward have been attempted at previous times in the Agency’s history. These previous initiatives met with mixed success, and, as will be seen, the primary obstacles

---

<sup>1</sup> The directive itself is classified, but the White House has released a fact sheet (White House Press Office, 2010).

to success in earlier eras remain relevant today. These obstacles include the Congressional interference in USAID policy via control over funding, the resultant limited autonomy of the agency to make country and program allocation decisions, and institutional incentives to evaluate impact on a constricted timeline. Taken together, these issues may ultimately prevent the Agency from achieving its mandate of global development, USAID Forward reforms notwithstanding.

In light of past reform efforts and extant obstacles, the question at hand is whether even the ambitious USAID Forward reforms address the larger problems the Agency faces, and whether those reforms will be enough to restore USAID to a position of development leadership. The present study compares the reforms proposed under USAID Forward to those proposed under previous major policy initiatives at the Agency, many of which were driven by perceptions that the Agency was in crisis, and had failed to achieve its mandate. In making these comparisons, this study hopes to answer the question of whether USAID Forward is a new approach to development administration, and the likelihood that the USAID Forward reforms will have a transformative impact on the Agency, revitalizing its ability to stimulate development in partner nations. The study will begin with an overview of relevant histories of USAID and US foreign assistance, followed by an analysis of the major reforms proposed under USAID Forward, and progress to date in implementing them. After this introductory section, the study reviews each major component of USAID Forward in turn. The study will compare these reforms to those proposed previously in the history of the agency, and will conclude by assessing whether the reforms proposed in USAID Forward are likely to succeed, and why.

### **Other Histories and Critiques**

Since its creation by the 1961 Foreign Assistance Act, the story of USAID has been told a number of times. USAID and other development institutions have been analyzed and critiqued

widely for their perceived successes and failures<sup>2</sup>. USAID's online document database, the Development Experience Clearinghouse, hosts papers calling for foreign assistance reform that date at least as far back as 1956<sup>3</sup>. Despite its size, complexity, and status as the only US Agency explicitly focused on international development (as opposed to other sources of foreign aid such as the State Department, the Treasury, etc.), no one has written a comprehensive history of USAID policy. Notwithstanding the lack of a comprehensive historical narrative of Agency policy, enough complementary works exist to provide coverage for the various policies this study will consider, including those proposed by Congress, the White House, the State Department, and the Agency itself.

Louis Picard and Terry Buss have authored a detailed but narratively scattered history of US foreign aid as it relates to national security, *A Fragile Balance* (2009). Picard and Buss approach USAID's history in terms of the Agency's role in US attempts to balance diplomacy and security, but spend comparatively little time on the Agency's policies, and instead focus on the role aid (and USAID) play in general US foreign policy interests relating to national security, containment of communism, and the prosecution of wars. In the context of the present study, Picard and Buss provide excellent background on the general foreign policy context during the Agency's lifetime, and their treatment is complementary to the policy analysis conducted below.

Drawing on his many years of experience in USAID leadership positions, Samuel Hale Butterfield has produced one of the most complete histories US development assistance, focusing in particular on USAID itself (Butterfield, 2004). Butterfield's history focuses on development aid as a tool for foreign policy, and so though he provides another excellent framework for discussion of how the Agency has slotted into broader US foreign policy ambitions over the decades, Butterfield spends comparatively little time on the role Agency policies have played in attaining (or failing to

---

<sup>2</sup> See Rist (2008), Pieterse (2010), and Moyo (2009) for two theoretical approaches and a broadly popular approach to critiques of development.

<sup>3</sup> See Milikan and Rostow (1956) for a representative example.

attain) development objectives. Butterfield's analysis of the political economy of intergovernmental relations between USAID, the State Department, the White House, and congress is particularly helpful in understanding the external pressures the Agency has had to contend with in shaping its policy goals. In assessing the Agency's attempts to serve its development mandate, the current study will draw on Butterfield's (informal) political economy analysis.

Though the works of Butterfield and Picard and Buss are the closest to contemporary histories of USAID and Agency policy, there are a number of earlier works that shed light on the Agency's policy priorities at distinct historical moments. Joan Nelson's 1968 study of aid's place in the foreign policy toolkit is a representative example of studies that have been funded in part by the Agency, and reflect the input of Agency officials (Nelson, 1968). A similar key resource for this study is USAID's own 1978 policy paper, *A Strategy for a More Effective Bilateral Assistance Program* (USAID, 1978). This policy paper was developed in response to the changing focus of Agency priorities in the 1970s, following the New Directions legislation, discussed at length below.

USAID does not by itself maintain a detailed historical narrative of the Agency, and does not keep an historian on staff, though a brief summary of major policy initiatives since 1961 is available on the Agency's homepage. The Agency website hosts the Development Experience Clearinghouse (DEC), an online database of Agency and third party documents, which also houses an extensive collection of oral history interview transcripts. Though the documents hosted on the DEC are a key data source for this study, little effort has been made on the part of the Agency to organize or structure their wealth of historical documents. This oversight may play a role in one of the challenges the Agency faces in achieving policy coherence: throughout the Agency's history, certain policy themes have been reintroduced as "new" ideas several times. It is worth noting at the outset that though better record keeping and attention to policy history will not change the political economy of American development institutions, attending to the past might help the Agency to identify and discard policies unlikely to surmount the obstacles the Agency faces.

## **The Origins of USAID**

Having established the key background sources for the present study, it makes sense to briefly explain the origins of US development assistance, and, eventually, USAID. In January of 1949, President Harry S. Truman gave his inaugural address, and in outlining his foreign policy aspirations, all but launched modern development aid. His fourth foreign policy objective, which came to be known as Point Four, stated that the United States “must embark on a bold, new program for making the benefits of our scientific advances available for the improvement and growth of underdeveloped areas [...] in order to help them realize their aspirations for a better life.”<sup>4</sup> The announcement of Point Four coincided with the implementation of the Marshall Plan to rebuild Western Europe following the ravages of World War II. In the wake of the announcement, a number of institutions were established to begin to implement Point Four, including the Technical Cooperation Administration, which was later reorganized first into the Foreign Operations Administration, later the International Cooperation Administration, and, finally the United States Agency for International Development. Butterfield’s first chapter offers a full historical analysis of the convoluted path from Point Four to USAID, and provides excellent background on the high level of White House involvement that characterized early development programs (Butterfield, 2004).

---

<sup>4</sup> *Inaugural Addresses of the Presidents of the United States*, GPO, 1989, as cited in Butterfield (2004)

## Chapter 2: Themes and Key Constraints

In comparing policy across various initiatives, this study will highlight two key constraints: the tension between *development policy* and *national interest*; and the tension between measuring impact on a budgetary timeline and measuring impact against longer time horizons. To a certain extent, both of these pressures flow from the politicization of USAID funding in the US congress.<sup>5</sup> *National interest* goals include the myriad interests of key political actors inside the United States, including officials at the State Department and Department of Defense, the US Chamber of Commerce and AFL/CIO, party leaders, lobbying representatives of multi-national corporations, and especially members of the US congress. These goals reflect the desire of each of these actors or groups of actors to influence American foreign policy in order to promote either their own best interests or what they perceive as the best interests of the nation as a whole. Congress, in particular, plays a central role in coopting development goals to meet national interests. In contrast, *development policy* goals are oriented towards, and often defined in consultation with the partner or host nation, and prioritize the needs and desires of citizens, political actors, etc. within that nation above the interests of the donor nation. It should go without saying that these two sets of goals have come into conflict many times, and are likely to continue to run up against one another.<sup>6</sup> Because USAID is (in theory) explicitly concerned with development, and because funding for the Agency is inherently political, the Agency's policies visibly reflect these tensions and conflicts.

Another key constraint driven by the institutional context of the US government and foreign aid funding in the United States is the tension to deliver “results” on short time horizons: Agency projects must demonstrate measurable improvements on specific targets, often within even the first year of project operation, and certainly by the time a 3- or 5-year project draws to a close. The pressure to justify the expenditure of US tax money by showing measurable results within a single

---

<sup>5</sup> This tension in turn reflects a broader tension between isolationism and interventionism in American public discourse. This is beyond the scope of the present study, but for an historical overview, see (McKnight Nichols, 2013)

<sup>6</sup> See, for example, Nelson (1968) for early discussions of conflicting development and policy goals, and Picard & Buss (2009) for examinations of the Vietnam War, the invasion of Iraq in 2003, and other security/development policy conflicts.

congressional election cycle compresses the schedules of project design, implementation, and measurement of impact, arguably to the detriment of each. At the same time, USAID projects often target long-standing social, environmental, or attitudinal problems, typically across a number of locations in countries with limited infrastructure and weak institutions. A typical democracy and governance project, for example, might attempt to help the partner nation completely reengineer the political relationship between ethnic minorities and local governments in a post-ethnic-conflict setting...over the course of only 36 months (the first six of which may be consumed by startup activities and baseline assessments).

In other words, many USAID projects are extremely ambitious in their scope and ambition, particularly in comparison to the temporal and financial resources made available for implementation. With projects on the scale of nationwide literacy improvement, or the elimination of a transmissible disease, is the feasible horizon for success within 3 years? Does it fall within 5 years? What if the country has recently emerged from civil war, or natural disaster? How long does it take, or should it take, to change behaviors, beliefs, and institutions across a nation in such a way that the changes are both lasting and meaningful? In the United States, where (virtually) no foreign-led development is undertaken, it took many generations to pass meaningful civil rights legislation, and the relationship between the national judicial system and many ethnic minorities remains fraught (at best). The tension between scope of execution and timeframe for completion varies on a project-by-project basis, but the unrealistic focus on immediate results merits further attention as the study covers each policy initiative, and in particular as the study examines USAID Forward.

#### **Additional Notes on USAID Funding Constraints**

Since deploying the Marshall Plan in Europe in 1948, representing the beginnings of international development in its modern form, the United States has been among the largest bilateral donors of foreign aid. Indeed, except for 1989 and the eight years of the Clinton presidency, the United States has been the single largest bilateral donor in the world every year since 1960, the

earliest year for which the OECD's database of Official Development Assistance (ODA)<sup>7</sup> offers data (OECD, 2013).

Though the United States extends bilateral development assistance through many government bodies (including the Department of State, the Department of Agriculture, the Treasury, Commerce, the Millennium Challenge Corporation, and so on), the bulk of US ODA is managed by the United States Agency for International Development, USAID. In 2012, the US committed approximately \$30 billion to ODA (OECD database), of which USAID was responsible for nearly \$17 billion (US Government, 2013).

All that said, USAID's large budget (in absolute terms) does not translate to operational freedom in deciding how that budget is spent. Congressional earmarks for both programs and individual partner countries strip USAID of budgetary autonomy to a surprising degree: in 2012, of the ~\$17 billion USAID was allocated, more than one third (~\$7 billion) were earmarked funds (Veillette, 2012). A Congressional Research Service report from 2006 estimated that Foreign Operations Earmarks (the bulk of which affect USAID expenditures) accounted for an average of 42% of budgeted expenditures between 1994 and 2005 (CRS Appropriations Team, 2006). These figures account only for "hard" earmarks, which require a minimum allocation of funds. Factoring in "soft" earmarks (which urge, endorse, or recommend an allocation of funds – adherence to which may affect funding the in following year) raises the average to 57 (Ibid.). Few senators or representatives are experts in international development at the global or regional level, much less at the country level, so it is unlikely that these earmarks assign funds more efficiently or effectively than the Agency would of its own accord<sup>8</sup>.

The congressional appropriations process introduces opportunities for the politicization of development funding from the very outset: senators and representatives have the incentive to require

---

<sup>7</sup> During these years, Japan surpassed the United States in aggregate ODA. Data accessible at the OECD's Query Wizard for International Development Statistics (OECD, 2013).

<sup>8</sup> In the face of Congressional control over allocation, the Agency has attempted to decentralize development decision-making in the past, with limited success, as will be seen below.

the Agency to spend money in ways that are congruent with the desires of their constituents and political donors. The Mexico City Policy (or “global gag rule”, to its critics) is a well-known example: it limited or restricted funding for birth control on the basis of whether organizations provide access to or promote abortion as a family planning technique. Restricting funding to abortion and promotion of abortion was Agency policy as early as 1974<sup>9</sup>, despite widespread efforts to combat population growth. Another frequently discussed earmark is the set of regulations governing how the Agency administers food aid, including a requirement to purchase grain in the US and ship it via US-flagged vessels to recipient nations, often at great expense and delay. The policy conflicts directly with several well-understood principles of economic and agricultural development<sup>10</sup>, but is mandated by congress for obvious political reasons. Beyond earmarks and congressional interference in policy, USAID suffers from pressure to demonstrate results from projects very early on, at times more quickly than may be reasonable, as discussed above. This pressure to show early success may form a vicious cycle, with programs that do not demonstrate prompt results seeing funding cuts in the following year, regardless of whether they may have been more promising in the longer term. Ultimately, many country missions may find that a large part of the planning process is in adapting projects that meet local needs to fit within Congressionally-mandated funding priorities and timelines.

Though Congressional earmarks restrain much of the Agency’s flexibility, missions and bureaus do still have autonomy and authority to program some funds as best they see fit. Given the low budgetary priority placed on foreign assistance, however, and given the impositions of earmarks, it seems unrealistic to expect USAID to achieve monumental feats of development with the resources at its disposal. In light of both the Agency’s partial control over its own resources, and the political tensions surrounding foreign policy and development, understanding how the Agency has

---

<sup>9</sup> USAID Policy Determination PD-56, June 10, 1974 reflects the 1974 amendment to Section 114 of the Foreign Assistance Act of 1961, restricting the use of funds to pay for abortions, or even for programs that “motivate or coerce any person to practice abortions” (USAID, 1974).

<sup>10</sup> Indeed, the Government Accountability Office considers the practice inefficient and recommends abandoning it (Government Accountability Office, 2011).

tried to use strategic policy choices to implement its mandate becomes even more important. The following sections will introduce previous policy initiatives that share key aspects of the USAID Forward reforms, with an eye towards understanding whether or not they were successful, and why. Ultimately, the question of whether USAID Forward will be effective depends in part on whether it embraces the successful reforms implemented in the past, and whether it avoids the pitfalls the Agency has attempted to navigate throughout its tenure.

### Chapter 3: Relevant Previous Policy Initiatives

Before assessing the USAID Forward reforms in detail, it makes sense to introduce three previous policy initiatives that will serve as background and comparators for the USAID Forward reforms. The *Decade of Development*, *New Directions/Basic Human Needs*, and *The Millennium Challenge Act* (and later, but related, *Transformational Diplomacy*) were each seminal moments in US development policy, and each was deployed in an effort to better achieve development goals in the face of perceived inefficacy. As we will see, each of these policy initiatives confronted obstacles similar to those the Agency faces today, with varying degrees of success.

#### *Decade of Development*

The *Program for the Decade of Development*, written by the President's Task Force on Foreign Economic Assistance (led by Henry Labouisse, head of the International Cooperation Administration<sup>11</sup>), formed the heart of President Kennedy's consolidation of the US's various aid programs into a single agency in 1961 (President's Task Force on Foreign Economic Assistance, 1961). This document was followed in 1963 by the Agency's inaugural policy manual (USAID Program Coordination Staff, 1963). Prior to 1961, technical assistance, development loans, private sector development, and agricultural aid were distributed across a plurality of offices, agencies, and departments. In consolidating these efforts, the Kennedy administration hoped to make foreign assistance efforts more coherent and rational, not only to achieve greater development success, but also to create a flexible foreign policy tool that could be used to combat the spread of communism (Butterfield, 2004). Decade of Development's key proposals were:

- unifying aid administration across US government entities to improve strategic coordination;

---

<sup>11</sup> A role model for future development practitioners, Labouisse essentially wrote himself out of a job, though he continued to serve the US foreign policy efforts as Ambassador to Greece, and, later, Executive Director of UNICEF.

- introducing several flexible program modalities, including concessional loans, “supporting assistance” (direct military support<sup>12</sup>, or economic assistance that freed up military assets), development grants aimed at education and human capital, Food for Peace, and direct technical assistance in the form of advisors;
- Longer-term frameworks for aid provision, including grants that extended beyond a single fiscal year and loans with 5-year borrowing authority;
- an emphasis on self-help by partner nations;
- evidence-based programming and learning systems;
- inclusion of the private sector in the development agenda;
- and harmonizing and coordinating aid across donors in order to increase aid’s volume and predictable duration.

The excitement of launching a great new endeavor is palpable in the Task Force’s writing: “the U.S. can, during the decade of the sixties, help decisively a large number of [the developing] nations on the road to economic growth” (President's Task Force on Foreign Economic Assistance, 1961, pg.7), and “The unavoidable challenge is that the U.S. can provide the margin between success and failure” (Ibid.). This idealism did not preclude a nuanced approach to development, however, and Decade of Development goes on to cite the importance of tackling many of the issues that currently enjoy popularity in discussions of development, including sound public administration and private institutions, attitudinal changes across society, participatory methods, and even different paths to different developmental outcomes (Ibid., pg. 8). This is not to imply the authors were infallible in their predictions: “As nearly as can be calculated, the sixties will be the decade of peak requirements for external assistance to the less developed areas of the free world.” (Ibid.).

---

<sup>12</sup> Direct and indirect military support were largely phased out by the end of the 1960s, though as late as 1968, development funds were still being used to pay for military bases in Ethiopia, for example (Nelson, 1968).

While the guiding documents for the creation of USAID reveal what would today be considered a progressive approach to development, the Agency's inaugural operations manual reflects an approach more bound by national interest considerations (USAID Program Coordination Staff, 1963). While some elements of the nuance and optimism that characterize the Decade of Development remain, the influence of the need to counterbalance Soviet expansion, to justify expenditures abroad to a reluctant Congress, and to contend against an emerging strain of isolationism in American culture are clearly visible. For example, the policy manual establishes "the ultimate goal of US aid" as "to help [each] country reach the point at which its own increased human and capital resources, plus its improved ability to attract and service foreign investment and credit on commercial terms, are adequate to sustain satisfactory growth" (Ibid., pg. 1). In other words, development success looks like a rapidly growing, capitalist state (preferably, but not necessarily, a democracy). All other aspects of development, including social welfare, education, healthcare, and so on, are means to the end of "satisfactory growth."

The policy manual goes on to discuss the allocation of assistance across countries, and takes an explicitly national interest-oriented stance, explaining that though there are many modalities available for assistance programming, "the nature of US interests generally results in the predominance of one category [of assistance]" (Ibid., pg. 3), regardless of country needs. A later section on the merits of projectized assistance versus general budgetary support notes that the latter form of assistance has the advantage of providing better leverage in negotiating US foreign policy goals (Ibid., pg. 33). Though the manual clearly reflects the ideal of foreign aid as a foreign policy tool, the progressive thinking visible in Decade of Development does shine through in some sections. In discussing how best to program allocated funds within countries, the policy manual suggests focusing on "closer integration of assistance activities with United States foreign policy" (Ibid., pg. 10), but also better harmonization with both other donor programs and the partner country's development programs as well, one of the key priorities of the Paris Declaration (OECD, 2005). In discussing tools available for foreign assistance, the manual highlights the importance of

drawing from expertise across the breadth of US government agencies and departments, and a later section on “self-help” (which might now be termed “commitment”) highlights the importance of monitoring and evaluating project impact against specific measures of development, in order to obtain the best impact for resources expended. Finally, throughout the manual there are references to a need for longer-term development strategies to ensure that changes and improvements are sustained beyond the life of individual assistance programs. Often, however, these references are tempered by the acknowledgement that such longer-term commitments may reduce “US negotiating leverage and flexibility” in achieving foreign policy goals (Ibid., pg. 37).

In light of this tension between progressive, development-oriented thinking and the necessity of embracing US foreign policy goals, it is unsurprising that even early on in the Agency’s tenure many were skeptical of its perceived lack of progress. The Decade of Development team was clearly optimistic in thinking that the peak need for development assistance would arise in the 1960s, and perhaps this optimism set an unfair expectation. Joan Nelson’s 1968 book, *Aid, Influence, and Foreign Policy* captures this disillusionment, quoting a Presidential study submitted in 1963: “There has been a feeling that we are trying to do too much for too many too soon, that we are overextended in resources and undercompensated in results, and that no end of foreign aid is either in sight or in mind” (Committee to Strengthen the Security of the Free World, *Report to the President*, 1963, in Nelson, 1968, pg. 6). Nelson takes the general perspective that foreign assistance had to date served primarily as a tool of US national interest, with developmental aid subservient to political goals. Her understanding of the allocation of foreign assistance (informed by extensive interviews with USAID employees, including former Administrator Hollis Chenery) was that allocation was based primarily on US interests. Determinants were “the political importance to the United States of the country’s stability and growth; the ability of the country to absorb external resources for growth; and the availability to the country of resources on appropriate terms from other sources” (Nelson, 1968, pg. 31). Nelson notes that the tight relationship between assistance allocation and foreign policy is not the only place where development goals take second place: “Program analysis takes US foreign policy

objectives in each country as given. Therefore, if some US interests conflict with others – for example, desire to press for reforms versus concern for the immediate stability of the good will of the host government – the conflict will be reflected in inconsistent or vacillating aid programs” (Ibid., pg. 48). By the end of the 1960s, concerns about the limited progress of developing countries and the perceived fragmentation of assistance efforts led first to a Presidential challenge to the existence of the Agency, and soon thereafter to a direct policy mandate from congress.

### *New Directions*

In 1969 and 1970, dissatisfied with the performance of USAID, President Nixon proposed eliminating the Agency and once again distributing responsibility for foreign lending, technical assistance, and security assistance to separate offices, bureaus, and corporations chartered by the US government. Nixon failed to garner sufficient support in Congress to carry out the proposal (Butterfield, 2004, pg. 114), but the House Foreign Affairs Committee agreed that USAID needed to be pushed to change its focus for greater development impact (Butterfield, 2004, pg. 177). Congress subsequently amended the Foreign Assistance Act via the New Directions legislation in 1973. USAID responded in 1975 with a presentation to Congress on the implementation of New Directions, and, later, the previously mentioned 1978 policy paper (USAID, 1978) on adapting the New Directions policies to further target “basic human needs,” a term popular at the time, with the intention of replacing national economic growth as the key indicator of development progress.

The 1975 report on the implementation of the New Directions legislation is richly detailed, and candid in its discussion of the challenges in meeting the requirements of the legislation. According to the report (USAID, 1975, pg. 8), the New Directions legislation was comprised of 5 major themes:

- Development aid should be concentrated in three sectors: food and nutrition; population and health; and education and human resource development (the so-called “basic needs”).
- Implementation should be targeted at the “poor majority” within partner nations, including challenging partner government institutions to change their internal policies.

- USAID should draw upon private and voluntary organizations (PVOs) to a greater extent.
- Development efforts should attend more to the role of women, and integration of women into processes of development.
- The aforementioned poor majority should be induced to actively participate in development projects and programs, to avoid “any suggestion of a handout.”

Key among the challenges to implementing New Directions was the early recognition that the legislation severely constricted USAID in its programming options, requiring USAID to ensure that every project specifically benefited the poor majority. USAID’s response to the legislation betrays some frustration with congress’ involvement in USAID policy. The introduction to the implementation report highlights “the rapidly changing circumstances and conditions, the special characteristics of individual societies, the vagaries of the international economic system, and so forth” (Ibid., pg. 4) as important variables to track in determining country-to-country programming emphases, and further notes, “achieving substantial progress for the billion or so very poor people in countries receiving AID assistance is not an easy [task]; it requires an extremely large investment of resources, long periods of time, and very difficult policy choices for governments” (Ibid., pg. 5). The report drives the point home in the same paragraph: “We have not had universal success in our own country in eliminating poverty – and the situations are not totally unrelated – and so we have great sympathy for nations trying to make the right choices for their own societies.” It is not a stretch to read this as a gentle reminder to congress that the legislative body hasn’t solved its own problems before presuming to know best how to solve those the Agency has confronted for years running.<sup>13</sup>

Any frustration with congressional interference notwithstanding, the Agency did go on to implement the New Directions legislation, and by 1978 USAID had issued a complete policy paper, *A Strategy for a More Effective Bilateral Development Assistance Program* (USAID, 1978). This paper responded to the New Directions legislation, and built upon the implementation steps described in

---

<sup>13</sup> Perhaps even a subtle critique of US domestic economic policy at the time, in light of rising inflation and consumer price indices.

the 1975 presentation to congress. The paper proposed specific policies relating to planning, analysis, human resources, and other areas of development administration, many of which were very similar to those proposed under USAID Forward.

In an important sense, the New Directions era presents one of the clearest examples on the limited control the Agency has over its affairs. Nixon's failure to achieve his sought-after reorganization of foreign assistance led to direct Congressional intervention in foreign assistance policy, shifting the Agency away from economic growth policies and towards social development policies. Rather than mandating programs tailored to the particular needs of partner countries, with the ultimate goal of poverty reduction, Congress required that all programs directly benefit the poorest of the poor. This prevented the Agency from funding higher education programming, for example, since it primarily benefits upper-class citizens of developing countries (despite the obvious need for such support in many nations). According to Butterfield (2004, pg. 181), "Country missions were pressed not to provide assistance for education above high school, since higher education would not directly help the poor."<sup>14</sup> Similarly, Butterfield cites later research that showed that economic equity might have been better stimulated by agricultural programming that focused on medium-sized farms, rather than only on smallholders (Ibid., pg. 193). While the focus on serving the most at-risk citizens of partner countries is admirable, the restrictions placed on programming prevented the Agency from adapting to the specific needs of each country.

The policy goals mandated by the New Directions legislation were ambitious in scope, too, and USAID saw significant budget cuts in the mid-1970s, undermining the Agency's capacity to work towards the long-term goals of poverty reduction and rural service enhancement. The year-to-year nature of Agency funding made implementation of large, long-term rural development projects challenging. While there were successes during this time, by the end of the 1970s there was a sense that rural development was not sufficient to solve the larger institutional problems many nations

---

<sup>14</sup> Interestingly, reduced higher education support could be seen as undermining foreign policy goals, to the extent that USAID may have exerted less influence on partner-country elites via higher education technical assistance.

faced, and that constraining USAID to working with the poorest of the poor had limited the Agency's impact. This changing perspective coincided with the beginning of the Reagan administration, and the birth of the ideology of the magic of the marketplace (Butterfield, 2004, p. 199).

*The Millennium Challenge Corporation and Transformational Diplomacy*

The at-first gradual, and then, sudden, end of the Cold War in the late 1980s and early 1990s precipitated reduced attention to foreign aid within the White House (Butterfield, 2004, pg. 217), and concomitant funding and staffing cuts at the Agency. In 2002, however, President Bush announced the Millennium Challenge Account, a \$5 billion per year allocation to development aid that increased foreign aid funding dramatically. The Millennium Challenge Act of 2003 created the Millennium Challenge Corporation (MCC), a government body headed by an official with rank equivalent to Deputy Secretary, and governed by a board composed of the Secretaries of State and the Treasury, the Administrator of USAID, the CEO of the MCC, the US Trade Representative, and four private individuals appointed by the President and confirmed by the Senate. The MCC is authorized to “provide assistance [...] to support policies and programs that advance the progress of the [partner] country in achieving lasting economic growth and poverty reduction...” (US Congress, 2003). Partner countries must be low-, or low middle-income countries, and must “demonstrate a commitment to” several key criteria, including “just and democratic governance”, “economic freedom”, “investments in the people [...], particularly women and children”, and must “promote the [...] transparent and sustainable management and use of natural resources” (Ibid.). Partner countries selected for participation sign a Millennium Challenge Compact, which establishes a mechanism for providing funding to the country based on its national development strategy, shared development goals, and continued evidence that the country meets established benchmarks on the above-listed criteria.

Two years after the creation of the MCC, in 2006, then-Secretary of State Condoleezza Rice announced a new initiative, Transformational Diplomacy, aimed at better aligning USAID and State

Department to work together towards common goals. The initiative was based explicitly on the premise that American national security is best ensured by promoting freedom and human rights globally, perhaps in response to perceptions that the events of September 11 were driven in part by failures of global development. The Department of State's 2006 combined strategic plan for USAID and the Department framed foreign assistance and development as critical in advancing US "security interests, [...] development efforts, and [...] democratic ideals" (Department of State, 2007).

Together, the creation of the MCC and the relocation of USAID within the State Department reflect both the desire to maintain a foreign assistance program that could be used as a foreign policy tool (USAID), and the desire to promote global development that enhances US national security (via the MCC's explicit focus on governance issues as criteria for receiving assistance). The Transformational Diplomacy initiative relocated USAID within the State Department and placed it under the new Director of US Foreign Assistance. The initiative constrained USAID: by requiring the Agency to adhere to the "F indicator" measures of progress, the State Department limited Agency flexibility in defining developmental success in partnership with host countries, and instead required all programs to report on the same basic measures year in and year out. While on the one hand, the desire to measure and track impact in an analytical fashion is commendable (if not innovative), the indicators selected were weakly connected to development impact, instead focusing on what might better be considered simple project outputs, like "number of foreign government officials trained" or "number of local governments supported." Such measures do little to establish a link between the training or support and the ultimate desired outcome (reduction of poverty, more effective governance, better healthcare or education systems, etc.). Furthermore, the F indicators presented a pre-defined vision of development progress (and presumably success) that was at odds with traditional Agency policy and practice of developing metrics for success in conjunction with the host country. With the advent of the USAID Forward reforms, the Agency is beginning to reevaluate how it defines developmental impact and success, but

the F indicators remain the official means by which impact is measured at the Department level, constraining the Agency's ability to report to congress on its more meaningful successes.

Taken together, *Decade of Development*, *New Directions/Basic Human Needs*, and the *MCC/Transformational Diplomacy* initiatives provide insight into both executive and legislative branch-driven reforms. As we will see below, many of the key issues that were relevant in the 1960s, the 1970s, and the early years of this century remain relevant today, including limited human resource capacity, limited autonomy to make budget and policy decisions, attempts to resolve institutional problems with (inadequate) technological solutions, and so on. More importantly, the institutional context remains the same: USAID suffers from limited autonomy over development policy and the allocation of funding. Having provided some context on each initiative and the challenges the Agency faced at the time, the second half of the study will analyze USAID Forward, its policy proposals, and the likelihood that these proposals will succeed in surmounting the obstacles the Agency faces in implementing its mandate, particularly with respect to congressional involvement in funding and policy, and the timeline for results against which Agency progress is measured.

## Chapter 4: USAID Forward and PPD-6

Formally announced on November 18, 2010, the USAID Forward reform agenda is a product of the Obama administration's desire (in PPD-6) to include development as one of the US's three foreign policy "legs", the other two being diplomacy and defense.

### *PPD-6*

The full text of PPD-6 is not available to the public<sup>15</sup>, but the White House has made a fact sheet available for download (White House Press Office, 2010). While the fact sheet lays out the broad strokes of the administration's policy, it does not go into any substantive detail. It is possible, however, to analyze the general policy emphases of the document. First and foremost, the fact sheet frames development as a key national security interest of the United States, stating, "[...] development is vital to U.S. national security and is a strategic, economic, and moral imperative for the United States" (Ibid.). The fact sheet goes on to explain that development is "indispensable in the forward defense of America's interests." This emphasis on security follows in the footsteps of Transformational Diplomacy, and can trace its roots back even earlier to Kennedy's creation of USAID as, among other things, a flexible tool to combat the underdevelopment that allowed communism to flourish (Picard and Buss, 2009, pg. 97). More recently, the emphasis on security has shifted from the threat of communism to the threat of "Islamic extremism," as the War on Terror has become an increasingly large determinant of development assistance allocation (Fleck & Kilby, 2010).<sup>16</sup>

Many researchers and policy experts have written on the risks of entangling development in defense policy<sup>17</sup>. Using national security to make decisions about the allocation of resources and implementation of projects and programs has in the past supported dictatorial regimes<sup>18</sup>, and in

---

<sup>15</sup> A court order has been filed by a Federal District Judge (in the District of Columbia) requesting the full Policy Directive be made available by Nov. 15, 2013. As of the end of November, the State Department had not yet acceded, perhaps belying its connection to national security policy.

<sup>16</sup> This research shows that aid allocation has shifted away from "need", and towards involvement in the War on Terror.

<sup>17</sup> See Piciotto (2006) for a representative example.

<sup>18</sup> A concern aired as early as the 1960s. See Nelson (1968) for an overview.

practical terms, runs the risk of communicating to enemies that development personnel are as valid targets as are soldiers and other defense personnel. From a broader perspective, subordinating development to national security exacerbates the political tensions that diplomatic concerns exert on development efforts: under a security-focused policy, development resources will be extended to allies, regardless of whether those resources might be more effectively used elsewhere (or, indeed, of whether they might undermine development in the recipient country). The PPD-6 fact sheet makes no effort to weigh or allay these concerns.

The fact sheet goes on to explain that the new approach to development will focus on three pillars: sustainable development outcomes, a new operational model, and better organization of development efforts across the US government. These three pillars align with several elements of modern development discourse, including the priorities of ownership, mutual accountability, managing for results, and other priorities established in the Paris and Accra documents (OECD, 2005 and 2008). In concrete terms, the three pillars reflect a desire to use limited development resources in a manner that is more cost effective, the need to cut development efforts back and focus them on nations and regions that offer the best chance for success, and the aspiration to reform USAID and better integrate it into the administration's foreign policy-making process.

Efforts towards more sustainable development, the first pillar of PPD-6, will focus on equitable economic growth, citing such growth as “the only sustainable way to accelerate development and eradicate poverty” (White House Press Office, 2010). The emphasis on growth is not a departure from earlier policy, and neither is the emphasis on equity, which has received attention lately as the 2015 deadline for the Millennium Development Goals approaches and preliminary reports suggest that development in the last 15 years has not been equitably distributed.<sup>19</sup> “Sustainable development” also includes investing in “game-changing innovations,” by which the

---

<sup>19</sup> Because the MDGs are not equity-adjusted, improvement on any indicator may not indicate Pareto-improvement that leaves no-one worse-off than before. See, for example, Reidpath et al., (2009), for a look at equity and under-five mortality rate.

administration refers to technological success stories along the lines of the Green Revolution and the deployment of oral rehydration therapy to treat childhood diarrhea. In practical terms, this policy reflects a desire to re-prioritize research with development-oriented applications, both in the US and in partner countries. Other aspects of this pillar are a renewed emphasis on institutional capacity building in partner countries, in a nod towards pulling development away from a projectized approach; and a specific focus on post-crisis stabilization, presumably reflecting a desire to adopt less reactive strategies to events such as the Arab Spring. Finally, this pillar includes holding accountable all recipients of US assistance, including those which primarily receive assistance for diplomatic reasons.

The second pillar of PPD-6 is “a new operational model.” This refers to new priorities in decision-making with respect to aid allocation, country ownership (or “self-help”), coordination with other donors, private sector involvement, renewed participation in multilateral institutions, and ongoing impact evaluation. This pillar pays heed to the long-standing critique of USAID as an organization spread too thin, under-resourced and overextended, critiques that go back to at least 1963, as discussed above. PPD-6 proposes to “make hard choices about how to allocate attention and resources,” to “demand greater focus” from country programs, and to shift resources to programs and countries that “yield the greatest impact” (Ibid.), though the fact sheet does not offer any detail on what factors will drive allocation decisions going forward, nor on how the administration defines “greatest impact.” These are important considerations, as the increased focus on cost effectiveness demands a clear and nuanced statement of how success is defined. If cost efficiency is a simple equation with budgetary allocation in the numerator, one cannot leave the denominator undefined or open to interpretation. In line with the concept of cost effectiveness, the second pillar also highlights self-help initiatives, coordination with other donors, and private sector involvement as priorities. While these are undeniably important considerations, the absence of detail in the fact sheet on how programs will be prioritized, and the timeline for evaluating impact is a limiting factor in analyzing the policy.

The third pillar of PPD-6, “a modern architecture,” proposes the reforms that form the heart of USAID Forward, focuses on elevating USAID’s position in the foreign policy making apparatus, and proposes prioritizing mechanisms to coordinate US development policy across the myriad government bodies that implement development programming. The USAID Forward reforms are discussed in detail below. With respect to the elevation of USAID within the administration’s policy-making apparatus, this seems a mixed blessing. On the one hand, involving USAID in policy decisions could bring an important developmental perspective into discussions that seem likely to have previously been dominated by defense and diplomatic perspectives. On the other hand, this approach is also a step in the direction of coopting development into a broader foreign policy discussion, within which it will be subordinated by defense and diplomacy. This concern is exacerbated by USAID’s position as an Agency within the State Department, reporting to the Secretary of State. To the extent that USAID is given a powerful voice in the crafting of the US Global Development Strategy (also proposed under this pillar) the Agency may be more successful in raising the profile of development concerns and issues across the Government, but the institutional context is likely to present challenges to any policy suggestions that may conflict with defense or diplomatic concerns.

Finally, separate from the pillars, and with a nod towards the constraints that USAID faces in terms of earmarked funding, PPD-6 proposes that the administration will work closely with the Congress to increase USAID’s budgetary and implementation autonomy. While this policy priority is commendable, from the perspective of the present study, it is unlikely to have a major impact on USAID’s ability to make resource allocation decisions. There are many arguments<sup>20</sup> for the rewriting of the Foreign Assistance Act of 1961 (which still governs US development efforts), but as of this writing, the Obama administration’s ability to propose and pass legislation remained constrained by domestic political considerations. In April of 2013 the Obama administration did propose

---

<sup>20</sup> See Oxfam America (2008) for an overview of the issues.

overhauling PL 480 (Nixon, 2013), which governs the administration of food aid, but the attempt was unsuccessful.

While PPD-6 seeks to contextualize development within national security, strategic, and economic foreign policy interests, USAID Forward (USAID, 2010) is an attempt to link US development efforts with broader discourses on effectiveness in global development:<sup>21</sup>

- Implementation and procurement reform
- Talent management
- Rebuilding policy capacity
- Strengthening monitoring and evaluation
- Rebuilding budget management
- Science and technology
- Innovation.

The sections below will address each point on the USAID Forward reform agenda in turn, including challenges the Agency may encounter in implementing reforms. This section will draw from the USAID Forward fact sheet released at the announcement of the reform initiative, and from the USAID 2011 – 2015 Policy Framework, which contains some additional information on the reforms. Many of these reforms are similar to those proposed under earlier policy initiatives, and to the extent that the Agency continues to face external constraints in meeting its development mandate, policy initiatives that were unsuccessful in the past are not likely to perform better under similar present conditions. As such, each of the following sections will look for links between past and present policy, with an eye toward evaluating whether USAID Forward is likely to surmount the obstacles that previous policy initiatives failed to overcome.

---

<sup>21</sup> While the Paris and Accra documents (OECD 2005, 2008) establish many of the key priorities in development thinking, Moyo (2009) carries critiques of aid efficacy to the extreme, arguing that, in effect, many aid programs have actually prevented development in African countries. The discourse of effectiveness has been present in USAID policy from the outset, however, and USAID Forward is simply the latest reiteration.

## Chapter 5: Comparing USAID Forward to Previous Policy Initiatives, and Progress to Date

This chapter will address each of the seven USAID Forward reform categories in turn, comparing them to prior policy initiatives. The first major reform under USAID Forward targets implementation and procurement. USAID's desire to reform procurement is expressed in terms of working more extensively with local partners, both to achieve cost effectiveness and to develop local financial management and development planning and implementation capacity, in accordance with the priorities established in Paris and Accra. The USAID Forward fact sheet intimates that channeling development funds directly through host country systems (a return to the origins of foreign assistance) is in some sense the ultimate goal.

Implementation and Procurement Reform is among the first of USAID Forward's agenda items to be implemented. Beginning in 2011, the Agency adjusted its procurement processes to dramatically expand funding allocated to in-country NGOs, firms, and community-based organizations (USAID, 2011). Some of the challenges the Agency is likely to face include push-back from US corporations and non-profits with a vested interest in less funding for local organizations, many of whom hold close relationships with USAID staff; skepticism from Congress, who may be unwilling to trust the financial management capacity of partner-country firms and institutions; and public disapproval from labor organizations, the farm lobby, and other commercial interest groups who fear "outsourcing" of the development "industry."

As early as the Decade of Development, and again in the New Directions era, and, again, in the Transformational Diplomacy era, USAID has considered routing development assistance through local institutions and organizations, recognizing the importance of building absorption capacity, public financial management, and local economic growth. The Decade of Development initiative proposed budgetary support and program assistance as viable alternatives to the more projectized approach that eventually came to dominate US foreign assistance, but even the 1963 policy manual was sanguine about receiving congressional approval for multi-year commitments to foreign countries. During the Transformational Diplomacy era, USAID was brought into closer

alignment with US foreign policy interests, and direct support was in effect “outsourced” to the MCC, a process that has since resulted in the marginalization of such support as a tool for development. USAID Forward proposes to bring direct support and support channeled through local organizations back to the US foreign assistance toolbox, but it is unclear how the Agency will succeed in implementing these policies given Congress’ historical reluctance to sign off on them. In sum, this reform element is unlikely to make major changes in US development policy without equally substantial changes to the domestic institutional context.

### *Talent Management*

The focus on talent management reflects USAID’s fear that the Agency no longer employs the best of the best, as well as a desire to begin to fill positions vacated during the contraction of the Agency in the 1990s and 2000s. USAID plans to implement this policy by improving Agency staffing flexibility, hiring and training processes, and incentives offered to employees.

The USAID Forward reforms are not the first time the Agency has prioritized rebuilding its talent pool. John Gilligan, Administrator from 1977-1979 famously stated that Agency personnel were “over-age, over-paid, and over-here” (Butterfield, 2004, pg. 198). Gilligan began the process of decentralizing Agency staff and resources to the missions, a wise decision that ultimately strengthened the Agency. His actions were in line with the 1978 USAID policy paper, which saw a need for “strengthening the capacities in the field professional staff” (USAID, 1978, pg. 3), and included “developing and assigning well-trained sectoral technical specialists and cross-sectoral social scientists” as a key component of needed reforms (Ibid., pg. 46). Whatever gains were made following Gilligan’s blunt pronouncement and subsequent change in HR policies were likely erased during the Agency’s precipitous contraction in staffing during the Clinton administration.

USAID Forward explicitly recognizes that the Agency is currently understaffed, but the Agency has already encountered several obstacles to hiring new staff, including limits on the size of the Agency’s personnel establishment, the slow federal hiring process, and the impact of both the ongoing funding sequester and a temporary government shutdown in 2013. Further obstacles include

the difficulty of hiring talented staff for federal positions in the face of the high compensation offered by private sector development firms, the perception that the Agency has limited autonomy within State Department (and therefore limited prestige), and other such “chicken and egg” problems relating to perception of the Agency as having passed its prime. Some of the reforms outlined in the fact sheet and in the 2011-2015 Policy Framework address these issues, but do not confront the deeper political issue of how USAID staff are allocated. The Policy Framework says that priority countries will be fully staffed whenever possible (USAID, 2011, pg. 35), but does not explain how countries will be prioritized.

While the Agency has received approval to hire up, past experience suggests that the Agency will need to work hard to attract and retain qualified personnel. Furthermore, while hiring top talent will undoubtedly aid the Agency in performing its duties, it is unclear how personnel changes will resolve the deeper problems the Agency faces with respect to congressional interference in policy-making, timelines for evaluation, and so on.

#### *Rebuilding Policy Capacity*

USAID Forward’s creation of the “new”<sup>22</sup> Bureau for Policy, Planning, and Learning (PPL) proposes to offer an intellectual hub for the Agency, a centralized core of research and evidence-based practice to inform policy-making across the various sectoral and regional silos of the Agency. A key challenge in implementing this component of USAID Forward will be in ensuring that PPL is able to guide and affect policy across the many distinct organizational structures within USAID. As of this writing, the Agency is composed of 11 Offices representing administrative or sectoral divisions, 5 bureaus representing regional divisions, and the special Office of Afghanistan and Pakistan Affairs (USAID, 2013). Coordinating policy directives across these diverse bureaucratic hierarchies will be no simple task.

---

<sup>22</sup> As early as 1972, the Bureau for Program and Policy Coordination was responsible for issuing guidance to missions on the basis of the most up-to-date research on social and economic development (USAID PPC/PDA, 1972).

Regardless of whether the PPL is able to effectively communicate important policies to the various operational units and missions, it is unclear that the Bureau will be able to work around another important obstacle: the matter of Congressional earmarks and involvement in Agency policy. As discussed above, earmarks dominate USAID funding, often allocating up to 50% of funds to particular sectors or countries of interest to Congress, and restricting USAID's ability to use its contextual knowledge to develop appropriate programming. When research and evidence point towards resource allocations (or project implementation) that conflict with congressionally mandated expenditures, it is not clear that PPL will be able to advise USAID project designers or directors to utilize evidence-based best practices.

This is not a new problem. The New Directions legislation reflect the peak of congressional involvement in USAID policy, with the requirement that funds be used to help the poorest of the poor, and other examples of congressional interference abound, such as regulations on food aid, domestic procurement of supplies, health programming, and so on. As discussed in the introduction, few members of congress are development experts, much less experts on the development problems faced by each of the over 100 nations USAID has worked in during its tenure. Despite this obvious knowledge gap, congress still maintains and exercises power to effectively set Agency policy. To the extent that PPL can both advise country missions and educate congress as that body makes allocation decisions, the Bureau may be successful in carving out space for the Agency to attend to its development mandate. Past experience, however, suggests this may not be a simple matter.

#### *Strengthening Monitoring and Evaluation*

Monitoring and evaluation (M&E) are a key component of the USAID Forward Reform Agenda, and to the extent that M&E processes prioritize and support evidence-based policy making, this area of reform has the potential to bear fruit in terms of development impact. The fact sheet stresses the importance of M&E, and the Policy Framework discusses the recently-released Agency Evaluation Policy (pg. 34). There is no discussion of the timescale for evaluating impact, or of ideas

of gradual or incremental progress, which were common in both New Directions- and Decade of Development-era documents.

Monitoring and evaluation is clearly an important component of iterative, adaptive, evidence-based practices, whether in development, the business world, or even the hard sciences. The basic premise is that the Agency should base its country allocation programming decisions on evidence regarding which countries are able or likely to use the resources well, and on what those countries need to do to meet their development goals in the short- and medium-term. Once these decisions are made, implementation should be continually monitored to ensure that programs remain relevant and effective. In its heart, the phrase “monitoring and evaluation” is essentially a distillation of the scientific method.

A key challenge USAID will face, however, is in maintaining rigor in its M&E practices. Measuring development progress or impact is an inherently messy process, especially in terms of improving partner country institutions, a key aspect of USAID’s vision of sustainable development. The temptation to interpret any fluctuation in percentages (of citizen satisfaction, for example, or voter turnout) as meaningful and significant is strong, and so pinning down measurements of impact and definitions of success *a priori* is all but mandatory. To the extent that USAID can step away from the weak State Department “F statistics” currently used to monitor and evaluate development, it may be successful in developing M&E processes that adequately capture meaningful change and provide useful information for future policy decisions. Prior experience demonstrates this may be difficult, however: in response to the New Directions legislation, the 1978 strategy paper required the Agency to increase its “emphasis on setting measurable goals [and] targets in terms of levels of well-being or status, including associated improvements of data and analysis” – with specific respect to the basic human needs of the poor majority. By restricting the Agency to indicators and measures with specific, universal features, the legislation stripped the Agency of the flexibility to define development goals as appropriate, on a country-by-country basis. The Agency clearly prioritized evidence-based programming within this framework, but was evidently not successful in carving space to prioritize

other development goals as needed, such as higher education, or equitable economic growth, for example.

Another key challenge that has stymied past efforts to emphasize programming based on good M&E practices is the question of how long one should expect to wait before seeing development results. Within two years of establishing USAID, a presidential committee had already published a report expressing disappointment that the no end to underdevelopment was in sight (see Nelson, 1968). The MCC, established in 2004, was promptly criticized for not achieving its mandate, and even now receives far less funding that was proposed at the time of its creation. Despite its marginal position, the MCC is a good example of how to apply the principles of evidence-based programming and allocation to a development program. Its existence outside the bounds of the State Department gives it some protection from being coopted by foreign policy, and its corporate structure and governing rules prevent congress from dictating closely how the organization allocates and programs its funding (though of course congress does control the overall size of the MCC budget each year). As a result, the Corporation has been able to stick to clear, well-understood allocation principles, and recent research has shown that developing nations have responded to these criteria, improving scores on control of corruption and fiscal policy measures in order to be eligible for MCC funding (Parks & Rice, 2013).

USAID Forward's focus on "results" is perhaps a response to widespread critiques of the failures of global development<sup>23</sup>, but, if so, it misses the mark. USAID does not enjoy the relative autonomy that the MCC does. Forcing USAID to show results within what boils down to the congressional election cycle means ignoring a basic tenet of development that is articulated in every major USAID policy initiative: development takes a long time. When the ultimate goal is changing attitudes, behaviors, and institutions in a fundamental way, the pressure to produce immediate results can mean abandoning a project that might bear fruit in the long run. That said, the idea of iterative

---

<sup>23</sup> This perspective is not universal. See, for example, Charles Kenney's (2011) book, *Getting Better: Why Global Development is Succeeding – And How We Can Improve the World Even More*

improvement of development programming is a good one, and one that should be implemented at the Agency. It is unlikely, however, that adopting better M&E practices will get around the key constraint of pressure on the Agency to show results in an unreasonably short time frame in order to receive critical operational funding.

### *Rebuilding Budget Management*

Budget management is an important component of organizational efficiency, and ties into other proposed reforms to implementation and procurement and M&E. USAID Forward takes a strategic perspective on budget management, framing coming reforms in terms of assisting the Agency in making difficult decisions about allocation across countries and programs in order to obtain the most effective results.

The most obvious obstacle within this domain is USAID's limited budgetary autonomy. The Agency has always been a sub-cabinet entity budgeted within the Department of State, and reports to the Secretary of State, but the Transformational Diplomacy era saw this hierarchical relationship strengthened, to the detriment of USAID autonomy. This hierarchy allows for limited authority over the vertical allocation of resources within the overall International Affairs budget allocated each year by Congress. Moreover, this budgetary arrangement subordinates development policy to foreign policy. Looming larger than USAID's position within the State Department, however, is the recurring issue of Congressionally earmarked funds, and the Foreign Assistance Act of 1961 (Amended), which was 204 pages as of 1961, but had reached 400 pages as of 2008, with an additional 1200 pages of related authorizations and appropriations (Oxfam America, 2009).

Both the New Directions legislation and the creation of the MCC demonstrate the difficulty USAID is likely to have in implementing a developmental mandate under the current funding system. The New Directions legislation, while well intentioned, restricted the Agency from using its limited resources flexibly, and undermined one of the Agency's greatest strengths, its decentralized structure that emphasizes local knowledge of problems and possible solutions. During the Transformational Diplomacy era, USAID was again restricted in its policy and allocation decision-making, confined as

it was to the F indicator system, and to US interests in promoting national security-specific development. The MCC avoids some of the pitfalls of earmarked funding and constrained policy that USAID regularly confronts, due partly to its foundational legislation and partly to its existence outside of the State Department, but the indicators that the MCC uses to make allocation decisions are selected on the basis of assumptions about what aspects of development are most aligned with promoting changes abroad that preserve US national security. Unless USAID's restored Budget Management capacity confers upon the Agency fundamentally greater autonomy in deciding how to allocate and expend its resources, it is unlikely that the reform will succeed in creating space for the Agency to meet its development objectives.

### *Science and Technology*

Piggybacking in part off the boom of mobile technology in the 21<sup>st</sup> century, the Science and Technology reforms proposed under USAID Forward seem to be aimed at identifying barriers to development that can be surmounted by technology transfer to partner countries. To the extent that such barriers do exist (access to financial tools such as savings accounts, for example), USAID seems to hope to bypass the long, slow process of institutional and physical capital development by rolling out mass-produced, market-oriented solutions. This reform initiative hearkens to the days when the Agency was highly successful in rolling out technological improvements in agriculture and health in South Asia (Butterfield, 2004). Reforms targeting technology transfer are not by themselves innovative, however: the 1978 strategy paper suggests USAID focus on adapting and disseminating appropriate new technologies to improve quality of life, and even on building partner-country capacity to conduct research and produce innovative solutions to development challenges (USAID, 1978, pg. 45, 46). The efficacy of these initiatives depends in large part on technology discovered and developed outside of USAID (such as the Green Revolution improvements in grain yield, for example), and so it is unclear that more emphasis on technology transfer will be effective on its own, rather than reliant on external research and discoveries.

Problems easily solved by improved access to technology represent low-hanging fruit, and prioritizing going after these problems may be an effective strategy for quick improvements in select development indicators (in select countries). Additionally, focusing on increasing usage of mobile information technology offers USAID a highly visible example of how the Agency is “modernizing” its practices. However, many of the challenges the developing world faces, such as the deployment of public services like water and healthcare in rural areas, are driven by institutional factors more than by technological factors. It is very cheap to deliver better vaccines, or more effective bed nets, but if the supplies go missing between the Ministry of Health and the rural clinic, or if the local health officer never bothers to show up to work, no technological solution will bridge the gap of nonexistent local service delivery institutions. These institutional factors, moreover, are very difficult to measure, much less to essentialize down to the level of an F indicator. To the extent that congress demands that USAID present results on a year-by-year basis, against simple and straightforward indicators, projects targeting such institutional weaknesses are much more difficult to justify than are projects measured in terms of vaccines or textbooks delivered to partner country governments.

### *Innovation*

The Agency’s focus on innovation is ill-defined, and begs the question of what, exactly, “innovation” means, whether it can be fostered or stimulated, and whether it makes sense to partner with innovators under the assumption that innovation is not largely luck. The USAID Forward Fact Sheet spends the least amount of time on this point, but it is fundamentally linked to the Science and Technology reforms. The Policy Framework goes into more depth on innovation, but focuses mostly on touting the Agency’s ability to reach out to innovative researchers and institutions, in effect “renting” their innovative thinking, rather than stimulating such thinking within the Agency itself.

From an external perspective, the focus on innovation seems to reflect a “silver bullet” approach to development that looks for immediate fixes to stubborn problems, such as the institutional challenges discussed above. Innovative, immediate fixes are technocratic, and jive well with teleological theories of progress, such as Rostow’s classic Stages of Development (Rostow,

1960). “If we can just apply this particular solution to the problem of malaria,” the thinking goes, “we’ll settle it once and for all.” This approach is ill-suited to problems for which adequate technical solutions already exist (such as many health and education challenges), but which are propagated by failures of governance, or other institutional failings. Moreover, the apolitical appearance of these approaches can obscure the political and economic roots of inequality and development failures. In truth, the biggest attraction of “innovative approaches” is that they are far more politically palatable at home than the difficult, open-ended approach of incremental change in attitudes and behaviors.

The focus on “innovation” as a specific concept seems to be new in USAID Forward: earlier policy initiatives do not present innovation as a standalone goal, or a concept to be incorporated. However, the Decade of Development, the New Directions legislation and strategy paper, and even Transformational Diplomacy all speak to the need to continue to identify areas of development where the body of knowledge is weak. The Decade of Development and the New Directions documents in particular attest to an Agency well aware that the state of knowledge at the time was insufficient to determine what any given country “needed” to solve its development challenges, much less what universal features all countries “might” need. In this regard, the sense that the Agency needs to try “something new” is unsurprising. However, the Agency today faces much the same constraints that it did in the past: the long-term, difficult-to-measure and difficult-to-implement projects and programs that can affect institutions at the national level are equally difficult to justify to oversight bodies that demand immediate, easily measured results. If the Agency can parlay a focus on innovation to mean “innovation in how congress funds the Agency and evaluates its success,” there may be hope for long sought-after progress.

### **USAID Forward Progress to Date**

In the three years since announcing USAID Forward, the Agency has prioritized the implementation of IPR, improved M&E, and the rollout of Country Development Cooperation Strategies (CDCSs), under pillar three of PPD-6. The Agency has issued three progress reports on

IPR, a press release on CDCs, and one three-year implementation report covering progress made against all seven USAID Forward reform areas grouped by three “principles” (USAID, 2013):

- Deliver results on a meaningful scale through a strengthened USAID;
- Promote sustainable development through high-impact partnerships;
- Identify and scale up innovative breakthrough solutions to intractable development challenges.

The Agency has released 186 evaluations of projects and programs. However, the Progress Report has highlighted M&E as one of the areas of greatest challenge. Many evaluations were turned back for more work on the part of the firm or consultant carrying out the evaluation. The Progress Report cites several reasons evaluations were found to be initially unacceptable, including overly broad scope of evaluation, use of inappropriate models and methods, and failure to point the way forwards based on lessons learned from the project or program under evaluation.

While some of these weaknesses are no doubt attributable to the firms or entities responsible for the evaluations, particularly those found to be carried out via inappropriate methods, the weaknesses also point back to the Agency itself. USAID staff are responsible for drafting the scope of work for any given evaluation, so it follows that evaluations that were rejected as too broad to be of use likely emerged from similarly broad scopes of work. One technique used in evaluation, particularly when the estimated effect size of a given assessment is likely to be weak (for example, when there are too few data points, or too many competing variables), is to speak broadly about general observations of project impact. This has the effect of providing some information to a client (such as a USAID mission), rather than delivering a report that simply says, “the intervention in question was too limited to be of measurable impact.” Put more bluntly, if USAID wishes to have rigorous evaluations of its projects, the Agency must invest in projects that can be rigorously evaluated, must release evaluation scopes of work that are focused on the questions that matter to the Agency, and must allocate sufficient time and resources to conduct meaningful evaluations.

Project designers should state clearly why they expect a project to change a particular behavior, and how, and why that change would in turn impact the desired outcome. Without these first steps, evaluation of any project will be difficult, at best, and the ability to draw conclusions about results and impact will be compromised.

Stepping beyond methodology, however, even the best M&E practices will not surmount the basic problem that USAID activities are evaluated against unrealistic timelines and unrealistic goals, in part due to politicization of Agency funding. The six other areas of USAID Forward suffer the same problem: while they in one sense comprise reforms well-founded in theory and practice, towards the cutting edge of development thinking, they do not tackle the fundamental problems the Agency has consistently faced since its creation in 1961. The final section of this paper will attempt to sum up the arguments made so far, and provide some options and suggestions for resolving the current situation.

## Chapter 6: Conclusion and Recommendations

Better project implementation, better procurement, and better monitoring and evaluation are all excellent changes, and will certainly improve the Agency's ability to carry out development programs and projects that reflect up-to-date understanding of what does and does not work in international development, limited as that body of knowledge may sometimes seem. However, the reforms proposed in USAID Forward are not significantly different from policy initiatives pursued at many times in the history of the agency. Moreover, USAID faces largely the same constraints it has faced since its creation: congressional interference in development policy, limited funds, the dominance of US national interests in foreign (and development) policy, and expectations that the Agency will achieve unreasonable impact in a brief period of time. Though the USAID Forward reforms are aligned with the priorities established in the Paris Declaration (OECD, 2005) and the Accra Agenda for Action (OECD, 2008), they are insufficient to meet the goal of restoring the Agency to an effective driver of global development. Without major changes to the institutional context within which the Agency operates, it is unlikely the Agency will ever have the autonomy and discretion necessary to achieve its mandate. While in an ideal world, the Agency would have sufficient funds to effect meaningful change, and would be evaluated against appropriate deadlines, there are several steps the Agency can take within the existing institutional framework to carve out more space for development goals within the sphere of foreign policy. Though the following strategies are listed sequentially, it will be important for the Agency to pursue them simultaneously.

First, the Agency must develop a domestic constituency for development. The "development industrial complex" of NGOs and for-profit development firms that surround DC are in some ways a good start. These firms create high-value-added jobs, keep a certain amount of development funding in the domestic economy, and can be vocal advocates for development as a policy priority. That said, the Agency has expressed interest in channeling more funds through partner-country organizations and institutions, in line with popular academic thinking on sustainable development. For this (and other reasons), the Agency should strive to cultivate a constituency that is

broader than commercial development firms and NGOs. Research indicates that over 80% of Americans believe that the United States has a moral obligation to reduce poverty and hunger (World Public Opinion, 2008), and, moreover, that 75% support funding specifically targeted at helping other countries achieve the Millennium Development Goals. At the same time, Americans believe that their government spends up to 25% of the federal budget on foreign aid, and that 13% would be a more appropriate figure<sup>24</sup>. Until 2013<sup>25</sup>, USAID was restricted from publicizing many of its development efforts domestically (Pilon, 2007), but now that these restrictions have been revised, the Agency should reach out to groups like Oxfam America and other civil society groups interested in promoting development priorities, with the goal of making Americans more aware of the low cost and high global benefits of a well-functioning development program.

Second, and alongside developing a healthier domestic constituency for development, USAID should capitalize on public support for development in building stronger relationships with Congress, both to advocate for greater funding flexibility, and, ideally, for a complete overhaul of the Foreign Assistance Act. To the extent that Congress will always play a role in determining Agency funding, the Agency must in turn work to educate members of relevant congressional committees on the effects of earmarks and other budget practices. While, in the past, the popular assumption has been that the Republican Party is disinterested in foreign aid, recent research has shown that unified control of the executive and legislative branch is more important than which of the two parties is in power (Goldstein & Moss, 2003). The President, in selecting an Administrator, should take this finding into consideration, and look for a leader interested in building bipartisan consensus when control of the two branches is split, and in challenging congressional leaders to think harder about the impact of their budgetary decisions. Finally, the Agency can enlist the assistance of partner-country leadership in lobbying the United States for greater decentralization of development

---

<sup>24</sup> Both of these funding levels would represent an increase of at least one order of magnitude in Agency funding. (World Public Opinion, 2010)

<sup>25</sup> The 2013 Defense Appropriation Act (US Congress, 2012) overturned key portions of the Smith-Mundt Act, allowing USAID and the Department of State to publish and distribute domestically information on their programs abroad.

decision-making. Use of partner country institutions and tighter learning policies are an integral part of USAID Forward, and represent a push for a more decentralized arrangement. If the Agency can enlist support from domestic, international, and congressional constituencies, it has a greater chance of creating the political space it needs to successfully implement its mandate.

If the Obama administration is serious about achieving global development goals, not just for the sake of American national security, but on the merits of development itself, then steps should be taken to increase the Agency's autonomy. Some of the reforms under PPD-6 and USAID Forward are moving in the right direction by undoing certain of former Secretary Rice's Transformational Diplomacy reforms (such as the reduced emphasis on F indicators), and by reestablishing USAID's budget management and policy, planning, and learning facilities. Ultimately, however, it would behoove this administration (or the next) to begin looking seriously at reforming the Foreign Assistance Act, to once again rationalize foreign assistance across the US government, and to simultaneously to carve out more room for USAID to make decisions about which countries are best situated to make use of limited US resources. If the Agency is tasked with development, the Agency must be given the autonomy it needs to pursue development, must be held accountable for development success, and must be provided the resources required to achieve success.

## Bibliography

- Butterfield, S. H. (2004). *U.S. Development Aid - An Historic First*. Westport: Praeger Publishers.
- CRS Appropriations Team. (2006). *Memorandum: Earmarks in Appropriation Acts: FY1994, FY1996, FY1998, FY2000, FY2002, FY2004, FY2005*. Washington, DC: Congressional Research Service.
- Department of State. (2007). *Strategic Plan: Fiscal Years 2007 - 2012*. Washington, DC: US Department of State.
- Easterly, W. (2006). *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. New York: Penguin Press.
- Fleck, R. K., & Kilby, C. (2010). Changing aid regimes? U.S. foreign aid from the Cold War to the War on Terror. *Journal of Development Economics* , 185-197.
- Goldstein, M. P., & Moss, T. J. (2003). *The Surprise Party: An Analysis of US ODA Flows to Africa*. Washington, DC: Center for Global Development.
- Government Accountability Office. (2011). *International Food Assistance: Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts*. Washington, DC: United States Government Accountability Office.
- Kenny, C. (2011). *Getting Better: Why Global Development is Succeeding - And How We Can Improve the World Even More*. New York: Basic Books.
- McKnight Nichols, C. (2013). The Enduring Power of Isolationism: An Historical Perspective. *Orbis* , 390-407.
- Millikan, M. F., & Rostow, W. W. (1956). *Proposal for a New United States Foreign Economic Policy*. Cambridge: Center for International Studies, MIT.
- Moyo, D. (2009). *Dead Aid: Why Aid is Not Working and How There Is a Better Way for Africa*. New York: Farrar, Straus, and Giroux.
- Nelson, J. M. (1968). *Aid, Influence, and Foreign Policy*. New York: The Macmillan Company.
- Nixon, R. (2013, April 5). Obama Administration Seeks to Overhaul International Food Aid. *The New York Times* , p. A13.
- OECD. (2013, November). *Query Wizard for International Development Statistics*. Retrieved November 2013, from OECD Statistics Database: <http://stats.oecd.org/qwids>
- OECD. (2008). *The Accra Agenda for Action*. Accra: Organization for Economic Cooperation and Development.
- OECD. (2005). *The Paris Declaration on Aid Effectiveness*. Paris: Organization for Economic Cooperation and Development.
- Oxfam America. (2009). *Failing the Cardozo test: Why US foreign assistance legislation needs a fresh start*. Boston: Oxfam America.

- Oxfam America. (2008). *Smart Development: Why US foreign aid demands major reform*. Boston: Oxfam America.
- Parks, B. C., & Rice, Z. J. (2013). *Does the "MCC Effect" Exist? Results from the 2012 MCA Stakeholder Survey*. Washington, DC: Center for Global Development.
- Picard, L. A., & Buss, T. F. (2009). *A Fragile Balance: Re-examining the History of Foreign Aid, Security, and Diplomacy*. Sterling: Kumarian Press.
- Piciotto, R. (2006). Aid and Conflict: The Policy Coherence Challenge. In R. Picciotto, & R. Weaving, *Security and Development: Investing in Peace and Prosperity* (pp. 353-373). Abingdon, UK: Routledge.
- Pieterse, J. N. (2010). *Development Theory: Deconstructions/Reconstructions*. London: SAGE.
- Pilon, J. P. (2007). *Obsolete Restrictions on Public Diplomacy Hurt U.S. Outreach and Strategy*. Washington, DC: The Heritage Foundation.
- President's Task Force on Foreign Economic Assistance. (1961). *Program for the Decade of Development*. Washington, DC.
- Reidpath, D. D., Morel, C. M., Mecaskey, J. W., & Allotey, P. (2009). The Millennium Development Goals Fail Poor Children: The Case for Equity-Adjusted Measures. *PLoS Medicine*.
- Rist, G. (2008). *History of Development: From Western Origins to Global Faith*. New York: Zed Books.
- Rostow, W. W. (1960). *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge: Cambridge University Press.
- US Congress. (2012, December 28). H.R. 4310 (112th Congress): National Defense Authorization Act for Fiscal Year 2013. Washington, DC.
- US Congress. (2003). Public Law 108-199, Title VI: Millennium Challenge Act of 2003.
- US Government. (2013, November). *Foreign Assistance Data*. Retrieved November 2013, from ForeignAssistance.gov: <http://www.foreignassistance.gov/web/DataView.aspx>
- USAID. (1978). *A Strategy for a More Effective Bilateral Development Assistance Program: An A.I.D. Policy Paper*. Washington, DC: USAID.
- USAID. (1975). *Implementation of "New Directions" in Development Assistance*. Washington, DC: US Government Printing Office.
- USAID. (1974). *Policy Determination 56: A.I.D. Policies Relative to Abortion-Related Activities*. Washington, DC: USAID.
- USAID PPC/PDA. (1972). *USAID Policy Determination PD-48: Employment and Income Distribution Objectives for A.I.D. Programs and Policies*. Washington, DC: USAID.
- USAID Program Coordination Staff. (1963). *Policy Guidance for Foreign Assistance*. Washington, DC: USAID.
- USAID. (2010, November 18). *USAID Announces USAID FORWARD Reform Agenda*. Retrieved November 2013, from USAID Website: <http://www.usaid.gov/usaidforward>

USAID. (2011). *USAID Forward Achievements: Implementation and Procurement Reform*. Washington, DC: USAID.

USAID. (2013). *USAID Forward Progress Report*. Washington, DC: USAID.

USAID. (2013, January). *USAID Organization Chart*. Retrieved November 2013, from USAID Homepage: <http://www.usaid.gov/who-we-are/organization>

USAID. (2011). *USAID Policy Framework, 2011-2015*. Washington, DC: United States Agency for International Development.

Veillette, C. (2012). *The Future of U.S. Aid Reform: Rhetoric, Reality, and Recommendations*. Washington, DC: Center for Global Development.

White House Press Office. (2010, September). *Fact Sheet: U.S. Global Development Policy (PPD-6)*. Retrieved November 2013, from Presidential Policy Directives: <http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy>

World Public Opinion. (2010, November 30). *American Opinion on Foreign Aid*. Retrieved November 2013, from World Public Opinion: [http://www.worldpublicopinion.org/pipa/pdf/nov10/ForeignAid\\_Nov10\\_quaire.pdf](http://www.worldpublicopinion.org/pipa/pdf/nov10/ForeignAid_Nov10_quaire.pdf)

World Public Opinion. (2008, October 15). *Publics in Developed Countries Ready to Contribute Funds Necessary to Cut Hunger in Half by 2015*. Retrieved November 2013, from World Public Opinion: <http://www.worldpublicopinion.org/pipa/articles/btdevelopmentaidra/554.php?lb=bt&pnt=554&nid=&id=>