DELIVER MORE WITH U.S.
DEVELOPMENT COOPERATION:
A PROPOSAL
FOR THE NEXT
PRESIDENT

MFAN MODERNIZING FOREIGN
ASSISTANCE NETWORK
This memo has been prepared by the Modernizing Foreign Assistance Network (MFAN), a reform coalition composed of international development practitioners and foreign policy experts. MFAN advocates for sensible and bold reforms to increase the effectiveness of U.S. foreign assistance programs. Since its founding in 2008, MFAN has been a vocal advocate for elevating development as an equal national security pillar to that of diplomacy and defense.

The world has changed dramatically over the past 15 years and is increasingly divided. On the one hand, we face a growing number of complex, global crises involving failed states and terrorist organizations that impact entire regions and jeopardize America’s safety and security as well as the well-being of innocent civilians. On the other hand, we see a number of developing countries experiencing high rates of economic development, which are leading to improved health and productivity of their citizens. Both the Bush and Obama administrations pursued a number of important steps to make assistance smarter, more efficient, and more effective. These important efforts – from establishing the Millennium Challenge Corporation (MCC) and the President’s Emergency Plan for AIDS Relief (PEPFAR), to Feed the Future and Power Africa – all considerably advance both our national interest and the cause of development.

There is clear consensus across party lines that the United States needs strong and effective development programs to promote sustained economic growth and poverty reduction, foster stability, counter major global health threats, and bolster free societies. Under Republican and Democratic presidents alike, U.S. assistance has played a key role in shaping a broad alliance of like-minded free-market democracies. Eight of America’s top ten export markets are former aid recipients, and all are now close U.S. allies.

Not only does support for global development advance U.S. economic, diplomatic, political, and security interests, but it is also an expression of America’s core values in ensuring that every individual has a fair chance to achieve his or her potential and shape the world around them.
A Bipartisan Blueprint: Maintaining Momentum on Recent Progress in Aid Effectiveness

Over the past two administrations – Democrat and Republican – we have seen strong bipartisan support in Washington for maximizing U.S. foreign assistance. Sustained progress in the following key areas must be at the forefront of the next aid effectiveness agenda.

Elevate Development as a National Priority

The new administration will be confronted with major global challenges and opportunities on Day 1. While aid has accomplished a great deal, the development institutions of the U.S. government require: a clear, coherent, and coordinated approach; sufficient resources; and proper authorities that elevate development alongside diplomacy and defense.

Recommendations:

- Move quickly to fill the key leadership posts at USAID, PEPFAR, MCC, OPIC, and other development agencies. Our programs can only be as good as our people, and filling these positions in a timely fashion is essential given the rapidly changing global landscape.

- Ensure that USAID has the budget and policy authority needed to be the United States’ lead development agency, as called for in the 2010 Presidential Policy Directive on Global Development.

- Designate the USAID administrator as a member of the Cabinet and appoint him or her as a permanent member of the National Security Council.

Increase Aid Effectiveness

The next administration must prioritize getting the most out of our foreign aid by: 1) focusing on results (accountability); and 2) ensuring countries have true ownership in designing and carrying out a transformative and sustainable development agenda (country ownership). Our aid delivers greater impact and outcomes are more positive and lasting when we engage countries as development partners in ways that reflect their own development goals and strategies.

Accountability: Aid programs are most effective and advance U.S. national interests when they embrace accountability, through greater data and budget transparency, stronger monitoring and evaluations of programs, and improved learning from evaluation results.

Country Ownership: Too often, development plans and budgets are developed in Washington with insufficient regard for the situation on the ground. Most of USAID’s resources remain tied to earmarks, directives, and initiatives driven from Washington.
2015 report by USAID’s Inspector General found that these budget realities frequently overshadowed local priorities and that “nondiscretionary funding—such as presidential initiatives and earmarks—drove the selection of development objectives.” MFAN strongly believes that most aid decisions should be made in the field—by those familiar with local challenges, in close consultation with local partners, and in coordination with other donor countries—and that budgetary resources should be unlocked to fund such locally-identified priorities.

**Recommendations:**

- Focus on increasing the access, availability, and quality of timely and user-friendly data by citizens in both rich and poor countries. The administration should prioritize meeting existing transparency commitments and require all U.S. agencies to report comprehensive foreign aid data in a timely and usable way to both the ForeignAssistance.gov website as well as the International Aid Transparency Registry.

- Prioritize the mainstreaming of country ownership across U.S. aid programs, including through greater flexibility in how U.S. budget resources are allocated to reflect judgements from the field, a greater use of country systems, and the bolstering of initiatives such as Domestic Resource Mobilization (DRM)—in which countries transparently raise and spend their own funds.

- In addition to these three core issues of elevating development, mainstreaming country ownership, and strengthening accountability we believe that certain evolving trends will define how the United States engages with developing countries and are subjects which we would urge the new administration to tackle early in its tenure. The recommendations outlined below in three critical areas will make our aid more effective and stretch U.S. aid dollars further, while advancing our most critical national interests.
Ripe for Reform: New Approaches for Lasting Development Solutions

The development landscape is shifting rapidly, and the U.S. toolbox for meeting new global demands must keep up. Looking at aid through the following lenses will facilitate even greater efficiency and effectiveness in how we deliver assistance.

Reform Humanitarian Assistance

The global crisis in refugees and internally displaced people – a combined population of over 65 million people and still growing – is badly straining international humanitarian relief. Conflict continues to drive about 80% of the world’s humanitarian needs. In addition, disasters and conflict can significantly erode the impact of development dollars and long-term global prosperity and stability.

In short, a system largely created 50 years ago is in dire need of substantial reform. The World Humanitarian Summit in May of 2016 recognized many of these issues, but is only the start. Building the capacity of local responders, prioritizing conflict prevention, and utilizing more innovative approaches – such as the use of cash-based programs – are all overdue reforms.

The United States, as the largest humanitarian donor in the world, and the new President are well-positioned to drive these reforms.

Recommendations:

▶ Strengthen support and capacity for local organizations on the frontlines of humanitarian response, including promoting greater voice for affected populations, especially women and other vulnerable populations.

▶ Overhaul the U.S. food aid system to enable millions more to be fed at no additional cost by working with Congress to allow all global food aid programs to respond quickly and flexibly with the most appropriate intervention and operate free of cargo preference and monetization requirements.

▶ Provide flexibility in contingency funding for humanitarian emergencies (such as the recent Ebola and Zika outbreaks) and in how funding can be used.

▶ Better integrate approaches to humanitarian and development needs, including the use of joint analytics and risk analysis and joint crisis-development planning and response.

Move into New Forms of Partnership

The purpose of aid should be to help developing countries create the conditions under which it is no longer needed. It is time to practice an approach to development that supports and incentivizes partner country transitions to new forms of economic partnership with the United States that achieve sustained, inclusive development.
By mobilizing public and private capital inside partner countries for development purposes, encouraging an environment that is conducive to trade and investment, and strengthening local oversight and accountability, the U.S. can focus its aid resources on helping to enable inclusive growth. The recently-adopted Sustainable Development Goals (SDGs) will not be achieved – especially in fragile states – without addressing the growing inequality in both developed and developing countries; this is a hugely important role for U.S. assistance to play in concentrating on those most left behind from progress.

The United States can also improve its focus and impact by using effectiveness measures to be more selective as a donor. More rigor could and should be applied in determining where aid is most likely to succeed and which approaches can be scaled.

**Recommendations:**

- Expand assistance for host country domestic resource mobilization and public accountability for service delivery. DRM has the potential to empower countries to better leverage their own economic resources and unleash enormous energy toward poverty reduction and economic growth.

- Where partner countries are stable and well-performing, develop realistic strategies that support their capacity to transition to a more full-spectrum relationship with the United States.

**Enhance Development Finance and Enable Private Sector Investment**

In 1960, Official Development Assistance made up nearly 70 percent of all capital flows to the developing world. Today, that figure is under 10 percent, with the overwhelming majority from private capital, remittances, and philanthropy. The power of inclusive private investment and the critical role of international financial flows were recognized in the adoption of the SDGs. But the U.S. government’s capability to mobilize private development finance is woefully inadequate and must be expanded.

Far more work needs to be done to create an enabling environment for such private sector growth and to ensure that traditionally marginalized populations can fully participate in the economic and social lives of their countries. In the right environment, sustained economic growth, poverty reduction, and greater social inclusion can and should all work hand in hand. Collaborating with the private sector is not only about economic growth; it is about unleashing its dynamism to help meet the whole range of basic human needs and eradicate extreme poverty, while promoting a sense of mutual accountability between public and private sectors and an engaged citizenry as a whole.

The next administration must better address impediments to the creation and growth of small and medium-sized enterprises (SMEs) in developing countries. It should also work to remove obstacles to
greater investment and trade within regions that are often stymied by poor infrastructure, inefficient customs regimes, and corruption. Too often, local entrepreneurs in developing countries are unable to start and expand businesses because of unnecessary and outdated regulations, lack of access to land titles, lack of a legal identity, or other institutional obstacles. In turn, international companies will be more inclined to invest in emerging economies in which clear codes of conduct and the rule of law are institutionalized and functioning.

With an estimated 1,600 public-private partnerships (PPPs) initiated by USAID since 2001, there is clear recognition of the potential that exists in leveraging private expertise and resources towards a public purpose. Despite wide acknowledgment of the pivotal role the private sector must play in advancing inclusive growth, little is known about either the impact of specific PPPs or the efficacy of particular PPP structures.

**Recommendations:**

- Strengthen U.S. development finance mechanisms, such as by establishing a new Development Finance Bank that would pull together OPIC, TDA, and existing strands of USAID and Treasury that promote development finance under a single roof, and providing it with enhanced authorities, including additional risk mitigation tools, technical assistance resources, and equity investment capacity. Such a Development Finance Bank should adopt a self-sustaining financial model where its operational budget, including technical assistance, is fully paid for by operating profits.

- Work with partner governments to support policies and programs that are designed to transition local SMEs from the informal economy to the formal economy. Developing country governments should assign higher priority to providing the types of services and support to SMEs that incentivize participation in the formal economy.

- Systematically review the effectiveness of U.S. public-private partnerships to determine how to increase their development impact. There is rightly growing support for the gamut of dynamic public-private partnerships that have emerged on the development stage, but they deserve rigorous evaluation to inform and improve future partnerships.

The next president will take office facing a unique and increasingly complex set of global challenges. Confronting these challenges and seizing opportunities will require effectively wielding every tool in the United States’ development, defense, and diplomacy toolbox. The Modernizing Foreign Assistance Network stands ready to work with the new administration to strengthen the elevation and the effectiveness of our development programs, and shape a world with greater prosperity, security, and opportunity for all.