

## USAID's Proposed Transformation Highlights & Questions

The Modernizing Foreign Assistance Network (MFAN) welcomes the U.S. Agency for International Development (USAID) Transformation proposal to strengthen the Agency's ability to deliver on its development and humanitarian mission. The Agency's proposal meets four out of five of MFAN's [widely endorsed<sup>i</sup> structural requirements for an effective aid agency](#).<sup>ii</sup> USAID: 1) remains an independent lead aid agency; 2) strengthens its policy and budget function; 3) improves accountability and efficiency; and, 4) focuses its approach.

However, the Agency must request adequate funding to carry out its mission. MFAN recommends that USAID further partner with Congress, the development community, and developing country stakeholders on its proposed reforms, and ground them in the larger policy framework of a U.S. Global Development Strategy.

The following is a summary of the aid effectiveness elements of USAID's proposal, and questions for Congress and stakeholders to consider.

### 1. Maintains USAID as an independent lead aid agency

- ✓ Maintains USAID as an independent lead aid agency exclusively focused on development and humanitarian response.
- ✗ However, does not further establish clear lines of authority and accountability between diplomacy and development agencies.
- ✗ Does not elevate USAID Administrator to Cabinet-rank level.
- QUESTION: How will these reforms strengthen USAID as the lead development and humanitarian response agency? Will USAID have clear lines of authority and accountability over development and humanitarians programs at other agencies?

### 2. Strengthens USAID policy, planning, and budget authority

- ✓ More clearly links evidence to budgets and policy by joining the policy, budget, and program performance functions (from Policy, Planning and Learning Bureau, the Global Development Lab, and the Management Bureau) together within a new Bureau for Policy, Resources and Performance (PRP). The Bureau contains an office of learning and evaluation responsible for Foreign Aid Transparency and Accountability Act (FATAA) compliance.
- QUESTION: These changes should strengthen budget and policy coherence within USAID. Will USAID have an increased ability to determine aid budgets? How will the proposed reforms change USAID's relationship with the State Department's Office of U.S. Foreign Assistance Resources (F)?
- QUESTION: How will USAID specifically change its policy, planning, and learning operations in Washington, D.C. to better support Missions around the world to improve program effectiveness? As a critical leader of the Agency, should the Assistant to the Administrator for the PRP Bureau be Presidentially-Appointed and Senate-confirmed?

### 3. Improves USAID accountability, transparency, and efficiency

- ✓ Requests new congressional authorization for two Associate Administrators positions, reporting to the USAID Administrator. One Associate Administrator will oversee Relief, Resilience, and Humanitarian Response functions, and the other will oversee Operations, including the Bureaus of Legislative and Public Affairs; Policy, Resources, and Performance; and Management.

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- ✓ Reforms procurement practices within the new Bureau for Development, Democracy and Innovation (DDI) to help Missions exercise flexible procurement authorities and work more with local partners. Also establishes a Local, Faith-Based and Synergistic Partnerships Hub that includes the Local Works program.
- ✓ Consolidates structures and coordinator positions within USAID. For example, merges OFDA and the Office of Food for Peace, and eliminates 6 non-statutory and non-mandatory positions (of 21 coordinator positions total), replacing USAID Forward Coordinator with the AtA for the PRP Bureau.
  - QUESTION: How will procurement reform advance the Journey to Self-Reliance mission and learning agenda? Will USAID establish agency-wide metrics to incentivize utilization of a more flexible and local approach? In addition, how will procurement reforms be coordinated with PEPFAR's recently announced goal of utilizing local implementers for 70% of its programs by the end of 2020?
  - QUESTION: USAID has streamlined many of its coordinator positions to establish clear lines of accountability, yet created a new Clear Choice Coordinator. What is the rationale for and mandate of this new Coordinator?

### 4. Focuses USAID's approach

- ✓ Focuses development activities around a partner country's Journey to Self-Reliance, ultimately leading to [responsible transitions from development assistance](#).<sup>iii</sup> (See MFAN's recent country transition case studies for [Costa Rica](#) and [Panama](#).)
- ✓ Transfers domestic resource mobilization (DRM) from the Economic Growth, Education and Environment Bureau (E3) to DDI's Democracy, Human Rights, and Governance Center, in order to improve the effectiveness, transparency, and accountability of national and local public institutions.
- ✓ Consolidates private sector engagement, including the Development Credit Authority, within DDI's Private-Sector Engagement (PSE) Hub. USAID proposes that, if the BUILD Act passes, the PSE Hub would be the Agency's primary interface with the new development finance institution (DFI) with the Hub's Deputy Assistant Administrator dual-hatted as the new DFI's Chief Development Officer.
- ✓ Strengthens response to humanitarian crises through a newly created Relief, Resilience, and Response (R3) structure that includes a Bureau for Humanitarian Assistance and emphasizes addressing fragility and building resilience.
  - QUESTION: What is USAID's agency-wide strategy for systematically prioritizing work with partner governments and citizens to finance their own poverty-reducing development? How would supporting domestic resource programs from the DRG Center better support how the Agency builds the capacity of citizens to hold their governments accountable for development results?
  - QUESTION: USAID proposes that USAID's Deputy Associate Administrator of the Private Sector Engagement Hub also serve as the Chief Development Officer proposed in a new Development Finance Institution (via the BUILD Act). What are the strengths and weaknesses of such an approach?
  - QUESTION: How will USAID's coordination with the State Department on humanitarian response improve under this new structure?

5. Requests sufficient resources for development and humanitarian response

- ✘ The Administration has not requested sufficient resources for USAID in its budget requests to date.
- USAID requests \$6 million over two years to implement the restructure and states changes could be in place from 6-24 months. This proposal does not appear to cut staff levels or set staff limits.
- QUESTION: To implement the new approach effectively, the Agency will need more flexible funding from Congress. How will the Agency use this restructuring to address deeper problems of funding directives, inconsistent funding through continuing resolutions, rescission threats, and the disconnect between funding requests and appropriations?
- QUESTION: Provide a further breakdown of costs, staffing changes and needs, timeframes, and explain how program disruption will be minimized. The restructuring is said to affect only USAID/Washington. Will staffing, structures, and budgets change at the Mission level to implement these proposals?

**MFAN recommends that USAID work further with Congress, the development community, and country stakeholders on its proposed reforms, and ground them in the larger policy framework of a U.S. Global Development Strategy.**

- QUESTION: USAID has responded to directives in FY17, FY18, and FY19 appropriations bills to engage and notify Congress of any reorganization. How will consultation with Congress, the development community, country partners, USAID's own Missions, and especially local stakeholders be maintained or strengthened through implementation of this effort? What specific channels will be utilized (e.g. the Advisory Committee on Voluntary Foreign Aid)?
- QUESTION: What is the guiding vision and goals for U.S. development and humanitarian assistance? How could such a framework inform this reorganization effort and the proposed restructuring?

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<sup>i</sup> MFAN "More than 170 Endorsers Agree: Effectiveness Principles Should Guide Aid Reform" <http://modernizeaid.net/wp-content/uploads/2017/09/MFAN-Principles-9-22-2017.pdf>

<sup>ii</sup> MFAN "Guiding Principles for Effective U.S. Assistance" MFAN "More than 170 Endorsers Agree: Effectiveness Principles Should Guide Aid Reform" <http://modernizeaid.net/wp-content/uploads/2017/06/MFAN-goals-principles-2017.pdf>

In 2017, MFAN's Co-Chairs also [released a proposal](#) for more specific development reforms, aligned with MFAN's principles. Several of these recommendations are supported by the Administration:

- USAID Administrator serves as a permanent member of the NSC;
- Create an expanded Development Finance Institution with new tools such as equity authority;
- Eliminate and streamline special ambassadors and envoys at the State Department; and

Consolidate and better link relief and resilience-building functions at USAID.

<sup>iii</sup> MFAN "More than 100 Endorsers Agree: These Principles Should Guide Country Transitions from Aid to Partnership" <http://modernizeaid.net/wp-content/uploads/2018/01/MFAN-Principles-for-Strategic-Transitions-final.pdf>