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Foreign Aid Reform: Issues for Congress and Policy Options

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Summary

Since the terrorist attacks of September 11, 2001, the role of foreign assistance as a tool of foreign policy has come into sharper focus. The President elevated global development as a third pillar of national security, with defense and diplomacy, as articulated in the U.S. National Security Strategy of 2002, and reiterated in 2006. At the same time that foreign aid is being recognized as playing an important role in U.S. foreign policy, it has also come under closer scrutiny by Congress, largely in response to a number of presidential initiatives, and by critics who argue that the U.S. foreign aid infrastructure is cumbersome and fragmented, and that aid policy is unfocused.

In recent years, several initiatives have heightened congressional interest in, and caused a re-examination of, U.S. foreign assistance policy and programs, including organizational structure. In January 2006, Secretary of State Rice announced an initiative to bring coordination and coherence to U.S. aid programs. The Secretary created a new State Department position — Director of Foreign Assistance (DFA) — the occupant of which serves concurrently as Administrator of the U.S. Agency for International Development (USAID). A new Bureau of Foreign Assistance (F) was created to coordinate assistance programs, led by the DFA, who in 2006, developed a Strategic Framework for Foreign Assistance to align U.S. aid programs with strategic objectives. The Framework guided the writing of the FY2008 and FY2009 budgets.

U.S. foreign aid programs began in earnest with the Marshall Plan to rebuild Europe following World War II. Arguably, the underlying rationale for aid during most of the post-war period was to counter Communist influence in the world. Since the fall of the Berlin Wall and the collapse of the Soviet Union, and particularly since the terrorist attacks of September 11, 2001, aid programs have increasingly been justified within the context of anti-terrorism. Despite changing global conditions and challenges, U.S. foreign aid programs, their organizational structure, and their statutory underpinnings, reflect the Cold War environment in which they originated.

These factors are, arguably, motivating the heightened interest in re-evaluating how U.S. aid programs function, and in revamping how they are administered. There is also a growing recognition of the role that foreign assistance can play as a foreign policy tool that is equal to the role of diplomacy and defense within the current international environment characterized by regional conflicts, terrorist threats, weapons proliferation, concerns with disease pandemics, and the difficulty in overcoming poverty. As a result, a number of recent high-profile studies have made recommendations for specific reforms.

This report, written by Connie Veillette, a former CRS Specialist, will be updated by Susan Epstein to reflect continuing developments.

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Overview

Congress and the Administration have increased their interest in foreign assistance programs in the post-9/11 environment, prompting a re-examination of the purposes of assistance, and how best to achieve those objectives. The renewed interest occurs as the Administration has initiated many new programs that introduced performance-based assistance in the form of the Millennium Challenge Account, and sector-specific assistance, largely directed at health programs in Africa. The Administration also unveiled in early 2006 a restructuring of foreign aid programs administered by the Department of State and the U.S. Agency for International Development (USAID). The restructuring is meant to link aid programs with strategic objectives and to provide more coordination and coherence. In addition, a number of recent studies have made specific recommendations for both policy and organizational reforms.

Congress has been considering these reforms as part of the annual appropriations process. Congress may consider more far-reaching reforms in authorizing legislation in the coming years in the context of a new Administration.

Criticisms of Current Foreign Aid Structures and Programs

The current structure of U.S. foreign aid entities and the conduct and effectiveness of aid programs have come under increasing scrutiny on a number of fronts. Programs have been described as fragmented and cumbersome, and lacking in flexibility, responsiveness, and transparency. Aid policy is considered lacking in focus and coherence. There is ambiguity with regard to who develops aid policy, not just between the State Department and USAID, but among the 26 other government departments, agencies, and offices that provide some type of foreign aid.

In general, some disillusionment with foreign aid results from a perceived lack of progress in some countries that have been aid recipients for decades. Other criticism results from an outdated aid apparatus developed during the Cold War that has been reformed in a piecemeal fashion, often adding conflicting and competing priorities, and that has not been updated to reflect current world conditions and challenges.

Definitions and Data Sources

Definitions. There is no precise definition of what the term foreign assistance encompasses. At its broadest level, it can refer to any and all expenditures that provide assistance to foreign countries in the areas of economic development, humanitarian assistance, disaster response, security and military assistance, governance and rule of law, health, and trade development. The broad definition covers programs managed by many government agencies in addition to those of the State Department and USAID.

Often, when talking about appropriations, the term is considered to refer to those programs funded in annual State Department and Foreign Operations appropriations bills. This would include programs managed by the State Department, USAID, and several independent agencies, but would exclude some major funding streams, such as from the Department of Defense and the Department of Health and Human Services.

A narrower conceptualization of the term refers to programs that promote long-term economic development, poverty alleviation, health, and humanitarian assistance, largely but not entirely, managed by USAID. (Humanitarian assistance is understood to encompass food aid and disaster assistance.) When used as such, the term excludes large sums of assistance administered by the State Department, but would include grants from the Millennium Challenge Corporation.

Another term, official development assistance (ODA), is also used. ODA is defined by the Organization for Economic Cooperation and Development (OECD) as grant assistance of a mainly development nature. As such, it excludes some security and military assistance.

For the most part, this report adopts the broadest definition. This approach is used because possible reforms that Congress may consider could address aid programs government-wide. In some parts of this report, the foreign operations budget is considered separately, and is noted as such in the narrative.

Data Sources. This report relies on two main data sources, both of which have limitations. The first data source is budget documents submitted to Congress, and enacted foreign operations appropriations. While this source provides detailed information on a large portion of U.S. aid programs, it does not cover aid programs of domestic agencies. Those agencies often do not systematically report these types of expenditures in their congressional budget justifications, and their appropriations bills do not always provide the details of the funding approved.

The second source is a data base maintained by the Development Assistance Committee (DAC) of the OECD. Donor nations report their calendar year disbursements of official development assistance to the DAC, and the DAC report is the internationally accepted measure of ODA contributions of the international community of donors. Its limitations, as noted above, is that it is not inclusive of all the assistance that the United States provides. On the other hand, it is a reliable source of data on what types of assistance are being provided by all government agencies.

Specific points of contention include:

- the level of U.S. assistance, usually in relation to other international donors, and the composition of aid, generally the ratio of humanitarian and development aid to security assistance, by region;

- the coordination of aid among programs in USAID, the State Department, and independent agencies, such as the Millennium Challenge Corporation, the Trade and Development Agency, the Overseas Private Investment Corporation, and several regionally focused funds, such as the Inter-American Foundation, and the African Development Foundation;

- the coordination of aid among numerous domestic agencies, such as the Department of Health and Human Services (HHS) and the Center for Disease Control (CDC), that administer some type of foreign assistance program;

- the coordination of bilateral and multilateral assistance;

- the coordination of aid with other international donors;

- the involvement of the Department of Defense in aid programs that some observers believe should be carried out by civilian agencies;

- the perceived ambiguity with regard to who sets foreign aid policy among the State Department and USAID;

- the effectiveness of aid programs, especially in light of a steady diminution of technical expertise at USAID, and the increasing reliance on contractors both in Washington and in the field to carry out aid programs; and

- the lack of a foreign assistance strategy to guide and justify the provision of aid generally, and one that deals with programs, specifically, that responds simultaneously to recipient country needs and U.S. priorities.

Some of these issues are longstanding; others are responses to more recent changes, such as new aid initiatives, new offices administering assistance, and a general increase in the foreign aid budget.

Current Aid Platforms and Funding

Aid Platforms. The State Department and USAID are the lead agencies that provide foreign assistance. Both are funded in the annual State Department and Foreign Operations appropriations bills. In FY2007, the State Department controlled about 64% of bilateral and multilateral assistance, while USAID accounted for approximately 20%. The remainder is managed by other independent agencies such as the Millennium Challenge Corporation, the Trade and Development Agency, and

the Peace Corps. Some funds are co-managed by the State Department and USAID, such as the Economic Support Fund, although major policy decisions are often retained by State. Some observers maintain that restructuring initiatives beginning in 2006 have further removed USAID from policy decisions.

The accounts managed by USAID largely pertain to long-term development, health programs, and disaster relief, although the Office of the Global AIDS Coordinator, which administers the largest U.S. initiative on human immunodeficiency virus and acquired immunodeficiency syndrome (HIV/AIDS), is located in the State Department. The State Department aid portfolio, in addition to HIV/AIDS funds, comprises accounts related to military assistance (implemented by the Department of Defense), narcotics and law enforcement, migration and refugees, anti-terrorism, peacekeeping operations, and accounts focusing on democratic transitions in states of the former Soviet Union, and eastern Europe and the Baltics. Prior to 2006 reforms (see section below on recent reforms), there was little coordination at the budget and policy development level between State and USAID.

There are, however, a number of independent agencies administering foreign assistance that remain outside of State and USAID, and that are also funded in the annual foreign operations appropriations bills. These include the Millennium Challenge Corporation, the Trade and Development Agency, the Peace Corps, the Overseas Private Investment Corporation, and the Export-Import Bank. These agencies develop their own budgets, and critics argue that their activities are not well coordinated with those of State and USAID.

In addition to these entities, there are aid programs administered by approximately 14 different departments and agencies. The largest portfolio belongs to the Department of Defense, which manages programs providing humanitarian assistance, civic action activities, training and equipping of foreign militaries, and even some health-related assistance. (See page 27 for a complete list of agencies reporting assistance in calendar year 2006.) These organizations have provided as much as 40% in official development assistance in recent years. Each of these agencies develops its own budget and those funds are appropriated in domestic funding bills. These programs remain outside of the jurisdiction of foreign operations appropriations subcommittees and foreign affairs authorizing committees that have oversight of foreign assistance. In addition, there is no central reporting mechanism for these programs, making it difficult to ascertain the full amount that the United States is providing in foreign assistance in any given year. Proponents of aid reform point to this situation as one of the main symptoms of a fragmented aid structure that impedes coherent, government-wide foreign assistance policy and implementation.

Current Funding. Since the events of 9/11, amounts requested and approved by Congress for foreign assistance generally have trended upward. The foreign operations FY2009 budget request is $26.1 billion, or an increase of 8.8% over the $24 billion estimate (including supplements only within P.L. 110-161) in foreign assistance programs for FY2008. The actual FY2007 funding level for FY2007, including supplemental funds, totals $26.4 billion. The estimated level for FY2008, approved in the FY2008 Consolidated Appropriations Act, Division J (H.R. 2764, P.L. 110-161), represents 1.2% of the total U.S. budget.

Part of the trend in increases is due to the greater use of supplemental appropriations measures to fund international affairs spending, including foreign assistance. **Table 1** provides funding levels for foreign operations since FY1999 in both current and constant dollars, and includes both regular and supplemental funds. (It is difficult to ascertain with much precision the appropriated levels for programs located in domestic agencies' budgets. See **Figure 6** for an indication of these funding channels.)

Table 1. Foreign Operations Appropriations, FY1999-FY2009

(discretionary budget authority in billions of current and constant dollars)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08 est.	FY09 req.
Current $	15.44	16.41	16.31	16.54	23.67	39.05	23.45	23.13	26.38	27.22	28.78
Constant 2009 $	20.08	20.80	20.20	20.11	28.03	44.93	26.03	24.83	27.71	27.84	28.78

Notes: Amounts do not include mandatory Foreign Service retirement accounts that total $34.6 million in FY2009. FY1999 excludes $17.61 billion for the IMF. All figures include regular and supplemental appropriations. Figures for FY2009 are requested amounts. Figures for FY2008 are State Department estimates. Both FY2008 and FY2009 figures include supplementals passed by Congress June 30, 2008, P.L. 110-252.

Statutory Basis of Foreign Assistance. The main statutory basis of foreign aid programs is the Foreign Assistance Authorization Act of 1961 (FAA), as amended (P.L. 87-195; 22 U.S.C. 2151). The FAA has been amended numerous times since its initial enactment, but it has not been comprehensively reauthorized since 1985. Instead, Congress has enacted a series of statutes to authorize specific aid programs. These include the FREEDOM Support Act (P.L. 102-511); the Support for East European Democracy (SEED) Act (P.L. 109-102); the Afghanistan Freedom Support Act of 2002 (107-327); the U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. 108-25); the Millennium Challenge Act of 2003 (P.L. 108-199), and various Security Assistance Acts since 1999.[1]

Over the years, most aid reform studies have recommended that the FAA and related statutes be replaced with new legislation that would update the statutory basis to eliminate the emphasis on the Cold War and communism and reflect current international conditions, thereby bringing coherence to numerous aid programs.

[1] This list does not include all statutes authorizing foreign assistance, but is illustrative of some of the more recent legislation. See *Legislation on Foreign Relations Through 2005, Volumes I-A and I-B*, House Committee on International Relations, and Senate Committee on Foreign Relations, January and April 2006.

Historical Rationales for Foreign Assistance[2]

Since the start of U.S. foreign aid programs, the rationale for such assistance has been posited in terms of national security, humanitarianism, and commercial interest. From a beginning in rebuilding Europe after World War II and assisting newly independent states in Africa, aid programs reflected Cold War tensions that continued through the 1980s. U.S. assistance programs were viewed in a national security context, as a way to prevent the incursion of Soviet influence in Latin America, Southeast Asia, and Africa.

In the immediate aftermath of the dissolution of the Soviet Union, aid programs lost their Cold War underpinnings. With the end of the Cold War, foreign aid programs reflected less of a strategic focus on a global scale, and instead responded to regional issues such as Middle East peace initiatives, supporting the transition to democracy of eastern Europe and republics of the former Soviet Union, addressing international drug production and trafficking in the Andes, and stemming illegal immigration. Foreign aid lost its anti-Communism rationale, and decreasing foreign aid budgets in the 1990s reflected the lack of an overarching theme.

Even during periods when aid programs were justified in the context of the Cold War, and more recently in the context of anti-terrorism, foreign aid programs also were justified for commercial and humanitarian reasons. Foreign assistance has long been defended as a way to either promote U.S. exports by creating new customers for U.S. products, or by improving the global economic environment in which U.S. companies compete. At the same time, a strong current has existed that explained U.S. assistance as a moral imperative to help poverty-stricken countries and those trying to overcome disasters or conflict. Providing assistance for humanitarian reasons or in response to natural disasters has generally been the least contested within the American public and policymakers alike.

The purposes of aid are thought to fit within these rationales. By promoting economic growth and reducing poverty, improving governance, addressing population growth, expanding access to basic education and health care, protecting the environment, promoting stability in conflictive regions, protecting human rights, curbing weapons proliferation, and addressing drug production and trafficking, the United States would achieve its goals of promoting national security, ensuring a global economic environment for American products, and demonstrating the humanitarian nature of the U.S. people. Some observers have returned to the view that poverty and lack of opportunity are the underlying causes of political instability and the rise of terrorist organizations, much as poverty was viewed as encouraging

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[2] This very brief historical review of foreign assistance necessarily omits much of the nuance and detail of a 60-year program. For more information, see *Foreign Aid: Diplomacy, Development, Domestic Politics*, by Carol Lancaster; *U.S. Development Aid — An Historic First*, by Samuel Hale Butterfield; and CRS Report 88-285F *Development Assistance Policy: A Historical Overview*, by Theodor W. Galdi, April 6, 1988; CRS Report 88-283F *An Overview of U.S. Foreign Aid Programs*, by Stanley J. Heginbotham and Larry Q. Nowels, March 30, 1988; and CRS Report 86-86F *Foreign Aid: The Evolution of U.S. Programs*, by Stanley J. Heginbotham.

a breeding ground for communist insurgencies in the 1960s, 1970s, and 1980s. At the same time, the rise of disease pandemics that have the ability to spread with increasing speed has also brought focus to U.S. aid programs.

The present national security rationale for foreign affairs programs has transitioned from a largely anti-communist orientation for some 40 years following World War II to a more recent focus on anti-terrorism in the post September 11, 2001, environment. In 2002, President Bush released his National Security Strategy that for the first time established global development as the third pillar of U.S. national security, along with defense and diplomacy. Development was again underscored in the Administration's re-statement of the National Security Strategy released on March 16, 2006.[3]

The Bush Administration has also announced significant initiatives relating to diplomacy and foreign aid. A new transformational diplomacy initiative, announced in 2006, would reposition diplomats to global trouble spots, create regional public diplomacy centers, localize small posts outside of foreign capitals, and better train diplomats in language, public diplomacy, and democracy-promotion skills. Also announced in 2006 was the creation of a new position at the State Department, the Director of Foreign Assistance (DFA), who serves concurrently as USAID Administrator. Heading up the new "F bureau" at State, the DFA has created a new Strategic Framework for Foreign Assistance with the objectives of providing more coordination, coherence, transparency, and accountability for aid programs. New presidential initiatives, including the Millennium Challenge Account (MCA), the President's Emergency Plan for AIDS Relief (PEPFAR), and the President's Malaria Initiative (PMI) have resulted in large increases in the foreign aid budget. Pledges for increased aid, to Africa, for example, as well as reconstruction costs in Afghanistan and Iraq, are also driving the recent increases.

Trends in Foreign Assistance Funding

Historic Trends. Spending for U.S. foreign assistance programs, that began in earnest in the 1940s with a four-year $13 billion (current dollar)[4] investment in rebuilding Europe under the Marshall Plan, has fluctuated in response to world events. After the Marshall Plan ended in the early 1950s, U.S. assistance focused on Southeast Asia to counter Soviet and Chinese influence. Under President Kennedy, aid levels rose to their highest historic levels (as measured as a percentage of national income) since the Marshall Plan, with the Alliance for Progress in Latin America, and assistance to newly independent states in Africa. Aid spending leveled off in the 1970s, even with spending for Middle East peace initiatives, and then rose again in the 1980s to address famine in Africa, continuing peace efforts in the Middle East, and the U.S. response to insurgencies in Central America. The 1990s saw aid levels fall to their lowest levels, averaging approximately 0.14% of national income.

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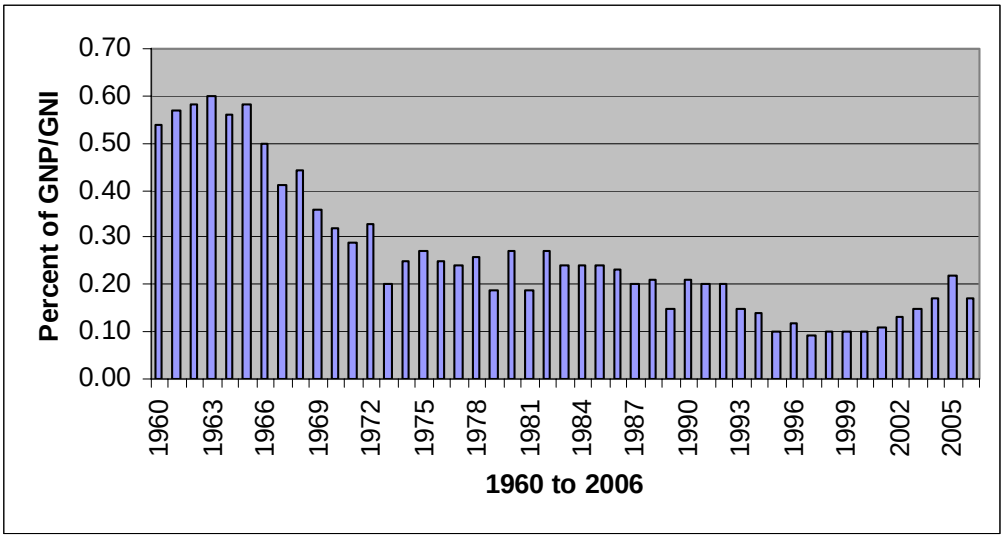
[3] Executive Office of the President, U.S. National Security Strategy 2002 and 2006, available at [http://www.whitehouse.gov/nsc/nss/2006].

[4] Adjusting for inflation, $13 billion in 1946 dollars would amount to approximately $137 billion in 2007 dollars.

Figure 1. U.S. Official Development Assistance as a Percentage of National Income



Source: Data provided by the U.S. Agency for International Development as reported to the OECD Development Assistance Committee (DAC).

Notes: Official Development Assistance (ODA) is reported as calendar year disbursements and covers government-wide aid programs. It does not include some military assistance accounts, such as FMF and IMET.

New Presidential Initiatives. U.S. aid programs have recently focused on a number of initiatives relating to health funding and assistance to Africa. Proponents of these new initiatives believe that aid programs need to be responsive to current global conditions, such as disease outbreaks and regional instability, while critics argue that these new focuses are diverting resources from some regions, are neglecting other needs, such as infrastructure, or long-term development and poverty alleviation, and are further contributing to the fragmentation and stovepiping of aid programs.

Beginning in 2003, the Administration launched new initiatives with sector or region specific focus.

- **HIV/AIDS**. Under a new five-year initiative in 2003, the President's Emergency Plan for AIDS Relief (PEPFAR), President Bush pledged a total of $15 billion by FY2008 for HIV/AIDS prevention and treatment. Africa, with 12 of the 15 PEPFAR focus countries, is the primary beneficiary. With the FY2008 budget request, this pledge would be exceeded. On May 30, 2007, the President announced a follow-on plan to provide a total of $30 billion through FY2013.

- **Malaria**. The Administration announced a President's Malaria Initiative (PMI) in 2006, pledging that the United States would spend an additional $1.2 billion over a five-year period (FY2006-

FY2010) on malaria prevention and treatment. Congress appropriated $122 million in FY2006 and $248 million in FY2007. The request for FY2008 is $388 million, keeping the pledge on track.

- **Africa**. Prior to the 2005 G-8 Summit, the Administration announced that it would double U.S. assistance to Africa by 2010. The FY2008 request keeps the doubling pledge on track. Excluding Millennium Challenge Corporation (MCC) assistance, bilateral aid to the region would increase by 53%, largely driven by HIV/AIDS funds.

- **MCC**. In announcing the creation of the independent Millennium Challenge Corporation, the President initiated a new aid platform to reward recipient countries for sound economic and governance policies, and pledged $5 billion in annual funding by FY2006. In fact, requests have never topped $3 billion a year, which is also the amount of the FY2008 request. Congress has consistently cut the MCC request, with some Members expressing concern that the program was slow to get started, and has not disbursed much of its existing funding. Funds are appropriated for three- or five-year compacts, although grants are obligated on an annual basis.

- **Education in Africa.** Announced in 2002, the Africa Education Initiative pledged to spend more than $600 million on basic education over five years. Funding is to train new and existing teachers, provide textbooks and other teaching materials, and offer tuition scholarships.

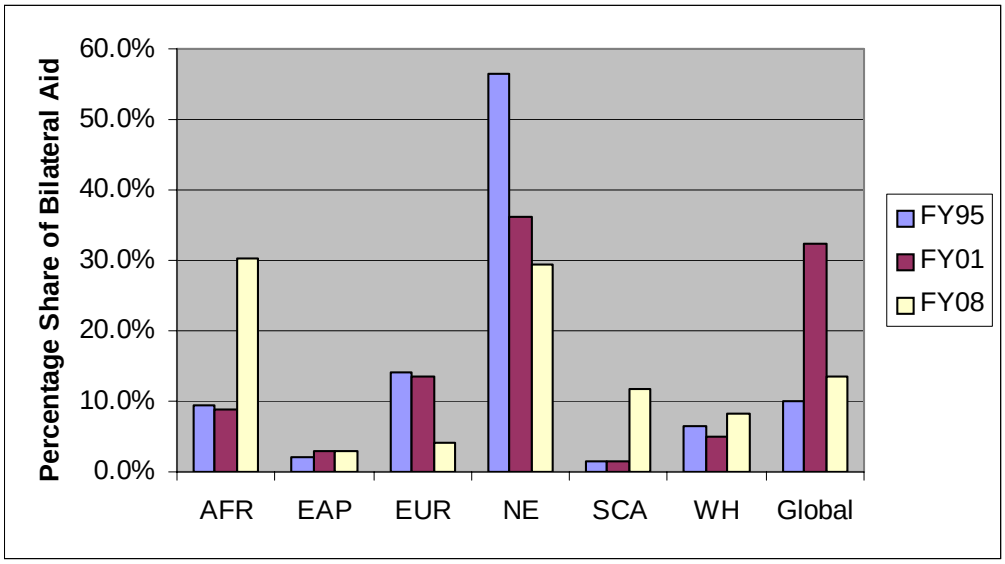
Regional Distribution of Aid. The distribution of foreign assistance by region has varied depending on world events. Since the Administration announced the President's Emergency Plan for AIDS Relief (PEPFAR), the regional distribution has been skewed in favor of Africa, where 12 of the plan's 15 focus countries are located. Since 2001, aid to Africa has more than quadrupled, from $1.3 billion to $5.5 billion in FY2008.[5] In the same period, aid to South and Central Asia has increased ten-fold, from $205 million in FY2001 to nearly $2.2 billion proposed for FY2008. Assistance to Europe and Eurasia has fallen by 60% as a result of some countries graduating from SEED and FSA programs. Decreases in the Near East reflect reductions in aid to Israel. **Figure 2** shows the percentage share of bilateral aid in three selected years.

A major focus of the FY2008 budget is a continuation of funding to address the HIV/AIDS pandemic in many countries with high prevalence rates. The 15 PEPFAR focus countries are the main beneficiaries, although Child Survival and Health (CSH)

[5] Even while HIV/AIDS funding has increased, other programs have been cut in the FY2006 to FY2008 period, including those supporting basic education, agriculture productivity, water supply and sanitation, and family planning and reproductive health.

funds are used in non-focus countries as well.[6] A concern of some aid analysts is the effect that this focus has on other types of development assistance and in other regions. The largest effect can be seen in Africa. If Global HIV/AIDS Initiative (GHAI) funds are excluded, then Africa would see a 27% increase in funding since FY2001, rather than a quadrupling.

Figure 2. Regional Distribution of Foreign Aid, FY1995, FY2001, and FY2008



Source: U.S. Department of State and CRS calculations.

Notes: Data is drawn from aid accounts funded in annual foreign operations appropriations bills. Figures exclude food aid. Includes GHAI funds. AFR = Africa; EAP = East Asia and Pacific; EUR = Europe and Eurasia; NE = Near East; SCA = South and Central Asia; WH = Western Hemisphere.

Sector Distribution of Aid. From a historical view, U.S. aid programs have emphasized different approaches. With the Marshall plan, aid planners sought to rebuild infrastructure in European societies that had previously attained healthy development levels. With a growing number of communist insurgencies and political instability in Asia, Latin America, and Africa, the focus turned in the 1960s to rapidly improving economic growth by addressing urban poverty. This approach segued in the 1970s to issues of rural poverty with programs that attempted to provide integrated assistance in such sectors as agriculture, education, and health. At the same time, under President Carter, human rights considerations entered into foreign aid policy. In the Clinton Administration, sustainable development became popular, and aid programs also encompassed issues of human rights and democracy, as the United States helped eastern and central European nations transition to democracy.

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[6] For more information, see CRS Report RL33485 *U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008*, by Tiaji Salaam-Blyther.

Many observers describe current U.S. programs as giving priority to health and security assistance. This perception is largely driven by the large increase of funding for HIV/AIDS prevention and treatment, and the costs of reconstruction in Afghanistan and Iraq. Health funding, including all USAID and State Department programs, comprised approximately 6% of the foreign aid budget in FY1995, but has risen to nearly 30% in FY2008. Security assistance,[7] on the other hand, has increased slightly from 36% in FY1995 to 44% in FY2008.[8]

Use of Supplementals. Supplemental appropriations for Foreign Operations programs, which in FY2004 exceeded regular Foreign Operations funding, have become a significant channel of funds for U.S. international activities, especially those related to reconstruction efforts in Iraq and Afghanistan. Supplemental appropriations bills have often also been used as vehicles to provide additional funding to respond to unanticipated emergencies or natural disasters.

There has been some criticism that the Administration has relied too heavily on supplementals and that some items, particularly relating to Iraq, should be incorporated into the regular appropriations cycle. The Administration counters that given the nature of rapidly changing overseas events and unforeseen emergencies, it is necessary to make supplemental requests for unexpected and non-recurring expenses. Funds in supplemental appropriations bills are generally declared emergency, and do not fall under discretionary budget caps.

Figure 3 shows the growing reliance on Foreign Operations supplemental appropriations. Congress approved a FY2007 supplemental bill (H.R. 2206/P.L. 110-28) providing $6.146 billion in international affairs spending, of which $4.42 billion is foreign aid. For FY2008, the Administration submitted an emergency request with the regular budget that totaled $3.3 billion for international affairs spending, of which $1.37 billion is proposed for foreign aid programs. A second request was sent to Congress on October 22, 2007 for an additional $1.96 billion in foreign assistance, for a total of $3.328 billion in supplemental FY2008 funding. In June 2008, Congress passed FY2008 and FY2009 supplemental funding in H.R. 2642/P.L. 110-252, which provides an additional $4.16 billion in foreign operations funding for FY2008 and $2.87 billion for FY2009.

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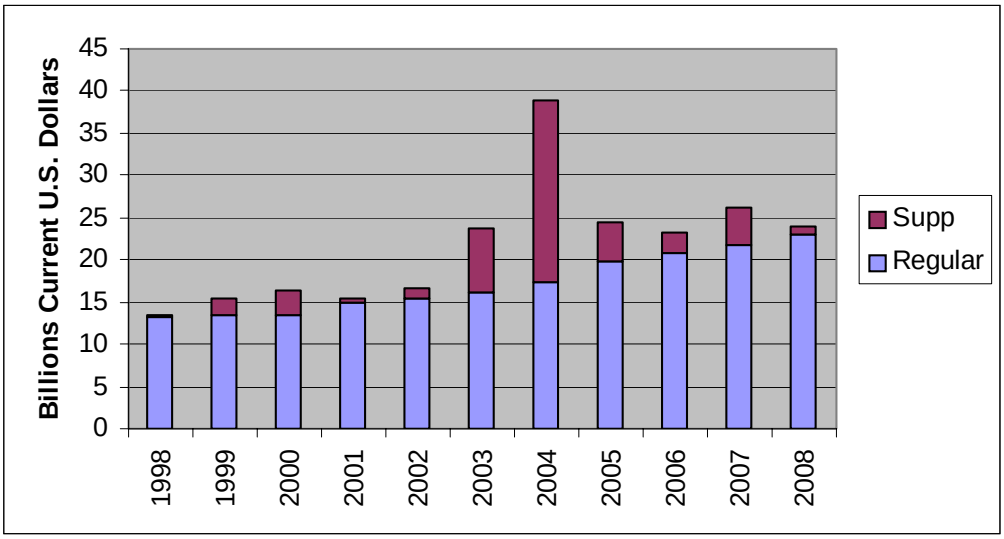
[7] Security assistance is the total of Economic Support Funds (ESF), Foreign Military Financing (FMF), International Military Education and Training (IMET), Peacekeeping Operations (PKO), International Narcotics Control and Law Enforcement (INCLE), and Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) accounts. Some observers would not include all of ESF in this category since significant amounts are used for development purposes.

[8] It is difficult to track sector allocations over time for a number of reasons. Some aid can be attributed to several sectors (water sanitation can be considered relating to health, agricultural productivity, and the environment, for example), but may not have been consistently reported as such from year to year. Also, USAID has changed the structure of its Congressional Budget Justification as a result of the Strategic Framework so that not all information is reported in the same format as in previous years. Finally, funds for some activities can be spread over various accounts. For example, health activities are funded from CSH, FSA, SEED, and GHAI.

Figure 3. Supplemental Funding for Foreign Operations



Source: CRS calculations based on enacted appropriations measures.

Notes: All figures include regular and supplemental appropriations. Figures are in current U.S. dollars.

Issues for Congress

Congress will likely play an integral role in any type of foreign aid reform, by authorizing a new aid infrastructure, appropriating funds for refocused aid programs, or both. The challenges facing Congress include weighing the justifications for foreign aid programs in relation to benefits to the United States that may be provided by such assistance, and to a variety of domestic needs that often put budgetary pressure on foreign aid. This entails scrutiny of the current level of assistance and proposals to increase aid.

A foreign aid reform effort likely necessitates a review of the current organization of the numerous departments and agencies that provide international assistance programs with an eye toward providing coordination. This may involve a re-evaluation of the existing statutory framework provided by the Foreign Assistance Act of 1961, as amended (P.L. 87-195; 22 U.S.C. 2151, et seq.), and other authorizing legislation, depending on the extent of the reform.

There are a variety of organizational reforms that can be undertaken. Those chosen would depend on what Congress perceives to be the major problems besetting U.S. foreign assistance policy, whether those problems are related to goals and strategy; implementation and effectiveness; or coordination and coherence. The following section outlines the criticisms of current aid programs and issues that Congress faces in reforming them. The next section provides a review of proposals for policy options and organizational reform in how foreign aid policy is formulated and how aid programs are administered and managed.

Revisiting the "Why" of Foreign Aid

Many analysts contend that the rationale of foreign aid has centered on security concerns for most of its existence, with security most often defined in an anti-communism or anti-terrorism context. Another rationale — to reflect the humanitarian nature of the American people — has also been prominent. A third rationale — to promote U.S. exports — has been prominent at some points. Further, some aid proponents have justified aid as a means to reduce illegal immigration to the United States by addressing the economic motivations for migration, or to reduce the illegal flow of narcotics. Others have cited the need for the United States to exercise leadership in the aid field commensurate with its economic, political, and military standing in the world. It is likely that U.S. foreign aid policy will continue to be predicated on all of these rationales.

There are a number of other considerations, however, that policy makers may address in any redesign of U.S. foreign aid.

- Should U.S. assistance be based on the political and economic performance of recipients (i.e., tied aid)? There is a strong belief in the development community that countries with democratic institutions have greater capacity to absorb and benefit from foreign aid. Critics argue that a focus on performance-based criteria neglects countries in dire need of assistance, but that are not able, for one reason or another, to achieve U.S.-determined benchmarks.

- Should U.S. assistance emphasize poverty alleviation without regard for the nature of the recipient country government? Critics of aid point out that U.S. aid has been given to countries with repressive regimes, and may signal tacit support for such regimes. The poverty of its citizens cannot be overcome by foreign assistance, if repressive and corrupt regimes exploit the provision of aid. On the other hand, some observers believe that there is a moral obligation to find the means to help people in need, most of whom are the victims of repressive regimes.

- Should U.S. assistance be focused on countries that have the best chance of graduating from aid? Such a focus would reduce the number of countries in which the United States conducts development activities, as "best cases" are identified, and as countries graduate from assistance. On the other hand, it would omit countries that have not reached a level of development that approaches sustainability.

- Should development serve as its own distinct purpose, or should it be seen as a tool of diplomacy? Those who favor a strong development policy based on a humanitarian rationale believe that development is distinct from diplomacy and should not be subsumed by it. Others believe that the American public will not support foreign aid budgets unless it can be demonstrated that aid serves strategic U.S. foreign policy objectives.

Recent Foreign Aid Reform

The latest reform effort, begun in January 2006, is the Secretary of State's reorganization creating a new position and new bureau to coordinate aid. The changes were made in the context of achieving the Administration's development initiatives. To that end, she created a new State Department position, Director of Foreign Assistance (DFA), and a new Bureau of Foreign Assistance (F). The DFA serves concurrently as Administrator of USAID. When established, it was argued that the dual-hatted nature of the position, along with a rank equivalent to Deputy Secretary, would allow for the better coordination of aid programs.

The DFA has authority over assistance programs managed by the State Department and USAID, and provides guidance for foreign assistance delivered through other government agencies. While the FY2008 foreign operations budget request was written under his direction, the DFA has had very little input, except informally, over the aid provided by other agencies and departments, that according to one USAID document now totals more than 50 government entities.[9] This situation was, arguably, not unexpected since the DFA has no statutory authority, except that delegated to the office from the Secretary of State.

In 2006, the DFA presented a new Strategic Framework for Foreign Assistance[10] that links aid programs to U.S. strategic objectives. Countries are grouped into five categories representing common development challenges. *Rebuilding* countries are those in, or emerging from, internal or external conflicts. *Transforming* countries include low and lower-middle income countries that meet certain performance criteria based on good governance and sound economic policies. *Developing* countries are those low and lower-middle income countries that are not yet meeting performance criteria. *Sustaining Partnership* countries include upper-middle income countries with which the United States maintains economic, trade, and security relationships beyond foreign aid. *Restrictive* countries include authoritarian regimes with significant freedom and human rights issues, most of which are ineligible to receive U.S. assistance except for humanitarian purposes. Programs in these countries operate through non-governmental organizations or through entities outside the country. A sixth category was created to encompass global or regional programs that transcend any one country's borders. Countries are expected to graduate from one category to another, and then eventually from aid entirely.

Each category represents common development challenges around which aid programs are to be designed, and linked to strategic objectives. Those objectives include peace and security; governing justly and democratically; investing in people; economic growth; and humanitarian assistance. Countries in each category may receive assistance under several or all objectives.

The initial reception to the Framework and the DFA position within the development community is mixed. Some observers hail the effort as a timely and

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[9] See "USAID-US Government Coordination," at [http://www.usaid.gov/policy/coordination/us_gov_ coordination.html].

[10] The Strategic Framework is available at [http://state.gov/f/reform/].

necessary attempt to provide some coherence to a growing number of assistance programs. These analysts see the effort as a good first step to address a fragmented assistance structure. They also argue, however, that the reform does not go far enough in addressing the weakened state of technical expertise at USAID in the context of decreasing operating budgets. USAID staff numbers have been cut in half since the early 1980s as most development activities are carried out by private contractors and the non-governmental organization community, with many observers remarking that instead of development experts, the agency now has contract managers.

Others criticize the new Framework for being inadequate. They contend that unless the DFA has authority over all U.S. assistance programs, the serious problem of lack of coordination and coherence will not be solved. If one examines the sources of official development assistance, as reported to the Organization for Economic Cooperation and Development (OECD), programs under the jurisdiction of the DFA — that is all State Department and USAID programs — accounted for 58% of U.S. aid in calendar year 2006. The actual amount may be much less as it appears that the Office of the Global HIV/AIDS Coordinator, which administers the PEPFAR program, is not a part of the F bureau.

Proposed Levels of Foreign Assistance

A number of international forums have highlighted the needs of the developing world and the role of rich countries. Annual events, such as the G-8 summits and international meetings on the subject of development, have produced pledges to increase aid in overall terms, for specific regions, and for particular purposes.[11] The proliferation of pledges raises the question of what is an appropriate level of assistance that will bring about sustainable development while being cognizant of the capabilities, both political and financial, of donor countries.

Some international aid goals are wide-ranging and ambitious, such as the U.N.'s Millennium Development Goals (MDG), while others are more focused, such as doubling aid to Africa by 2010. The U.N. Millennium Project established eight development goals to be achieved, some partially, by 2015.[12] The U.N. Development Program (UNDP) estimates that global aid levels from all donors would need to climb to $195 billion by 2015 in order to reach these goals. With aid levels in 2004

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[11] Such summits include the Millennium Summit in 2000; the Monterrey Conference on Financing for Development in 2002; and the Gleneagles Summit in 2005. The 2000 Summit adopted the U.N. Millennium Development Goals. The Monterrey Conference produced pledges to increase overall levels of aid, either by a monetary figure, or as a percentage of national income. Countries attending the Gleneagles Summit promised to double aid to Africa by 2010. A 2001 summit on HIV/AIDS and other infectious diseases provided the impetus for HIV/AIDS-related U.S. commitments.

[12] The eight goals include to eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce mortality in children under five years old; improve maternal health; combat HIV/AIDS, malaria, and other poverty related diseases; ensure environmental sustainability; and build a global partnership for development between industrialized and developing countries.

at $79 billion, this would mean more than doubling assistance in roughly a 10-year period. While this goal would necessitate an increase from the current level of 0.25% of donor countries' income to about 0.54% by 2015,[13] the United Nations has had a longstanding goal of donor countries providing 0.7% of national income. As of 2006, only five countries had reached that goal (Denmark, Luxembourg, the Netherlands, Norway, and Sweden).

The number of pledges made by the United States and other donor countries is cause for a consideration of the burden that each should shoulder. There are two ways to measure levels of foreign aid — as a percentage of a country's Gross National Income (GNI), or as a percentage of a country's budget.[14] Advocates of increasing foreign aid have called for the United States to reach specific goals with regard to both. Critics believe that neither quantifiable measurement is appropriate and that large increases in assistance are not necessary. **Figure 4** represents the current level of foreign aid spending proposed for FY2008 compared to a one percent increase, and an increase to 0.7% of national income.

0.7% of GNI. A popular target for donor country assistance is 0.7% of GNI. This target has developed over time as a lobbying tool for increasing foreign assistance, and some countries have committed to working toward the goal by 2015. The United States has never committed to the 0.7% target. U.S. aid levels were 0.17% in 2006, or approximately $23.5 billion.[15] In 2005, U.S. aid reached $27.9 billion, or 0.22% of GNI, reflecting high levels of debt relief and aid disbursements in Iraq and Afghanistan. The European Union vowed to reach a collective level of 0.56% of national income by 2010, and to hit the 0.7% target by 2015. Historically, U.S. foreign aid as a percentage of national income has been higher than present levels. During the 1960s, the annual average was 0.51%, falling to 0.26% in the 1970s, 0.22 % in the 1980s, and 0.14% in the 1990s.

The value of the 0.7% target, or any percentage target, as the correct level of aid that will produce measurable development results has never been firmly established.[16] Based on GNI of roughly $14 trillion projected for 2008, a U.S. foreign aid budget that is 0.7% of GNI would total $98 billion, representing more than a tripling of aid levels from the $27.6 billion disbursed in 2005.

Increase by 1% of Budget. Another measurement is the ratio of assistance to the overall annual budget. At $24.3 billion proposed in FY2008, current U.S.

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[13] Owen Barder, "Are The Planned Increases in Aid Too Much of a Good Thing," *Working Paper Number 90*, Center for Global Development, July 2006.

[14] See CRS Report RS22032, *Foreign Aid: Understanding Data Used to Compare Donors*, by Larry Nowels.

[15] The highest level of U.S. aid since 1960 was 0.60% that occurred in 1963 with the Alliance for Progress program in Latin America.

[16] Some studies, notably one from the Center for Global Development, calls into question the value of the 0.7% target and note the flawed process in which it originated. Michael A. Clemens and Todd J. Moss, "Ghost of 0.7%: Origins and Relevance of the International Aid Target," *Working Paper Number 68*, Center for Global Development, September 2005.

foreign aid comprises 1.2% of the budget.[17] This level is a decrease from previous levels that averaged 1.4% during the 1990s and 1.8% during the 1980s.[18] Some advocates of higher levels of aid have proposed increasing foreign aid spending by an additional one percent of total budget authority, or to approximately 2.2%. Since 1980, U.S. aid levels have reached 2.2% in just five years: 1980, 1981, 1984, 1985, and 1993. In terms of the FY2008 budget, a one percent increase would amount to an additional $29 billion for a total foreign aid budget of $53 billion. This would represent a near doubling of assistance.

Critics of both proposals counter that foreign aid is measured in such a way that it excludes some U.S. government and private sector activities. Official development assistance (ODA)[19] consists of aid activities of a development nature. While this includes some Department of Defense assistance, such as DOD's HIV/AIDS assistance to some foreign militaries, humanitarian assistance, and counter-narcotics programs, it excludes the State Department's Foreign Military Financing (FMF) and International Military Education and Training (IMET), as well as costs of U.S. military activities that proponents argue promote stability around the world. Funding for FMF and IMET programs alone has totaled roughly $4.6 billion in each of the last three fiscal years.

Other critics point out that ODA data also exclude private giving. The State Department estimates that these charitable contributions from organizations totaled $8.6 billion in calendar year 2005, and that if one includes private capital flows totaling $69.2 billion, the ratio of total revenue flows to GNI would come to 0.84%. The Hudson Institute's *Index of Global Philanthropy 2007* estimates that contributions from individuals and organizations amounted to $33.5 billion in 2005, not including another $61.7 billion in remittances (cash transfers by immigrants to individuals in their countries of origin). If both are included, they say, U.S. aid levels would reach 0.98% of GNI. Some observers do not believe private assistance, whether from charitable contributions or corporations should be counted since both can fluctuate from year to year, and in the case of corporate investments, occur in more advanced economies, such as China and India. Further, there is disagreement within the development community on the effects of remittances in recipient communities.

Maintain Current Aid Levels. Regardless of the debate on what should be included in ODA figures, some observers do not believe that U.S. aid should be

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[17] This calculation is based on the function 150 International Affairs section of the U.S. budget and excludes some international affairs spending by domestic agencies that is included in ODA figures reported to the DAC (see footnote below).

[18] Data are drawn from *Historical Tables, Budget of the U.S. Government, Fiscal Year 2008*, Table 5.3 Percentage Distribution of Budget Authority By Agency, 1976-2012, page 105.

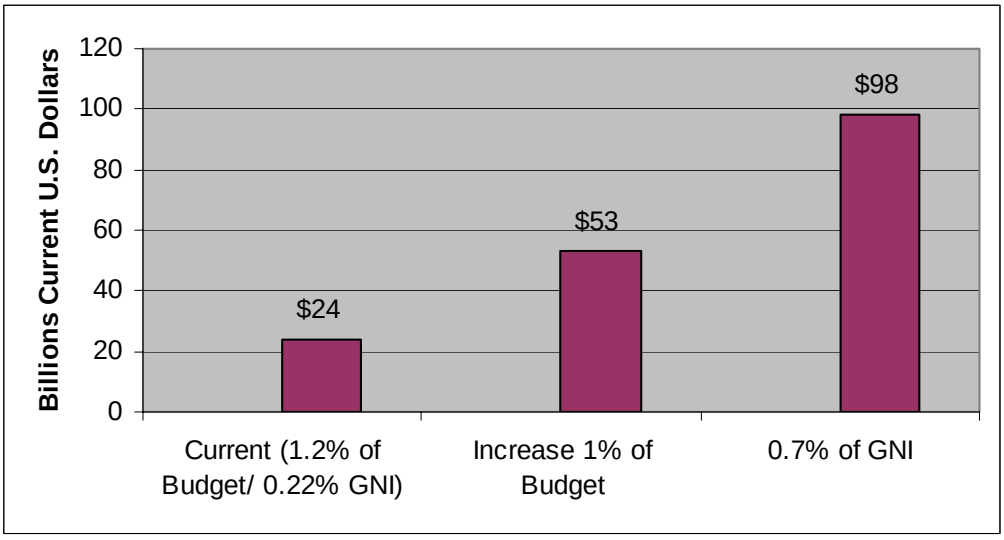
[19] The most commonly accepted reporting framework is provided by the Organization for Economic Cooperation and Development (OECD). Its Development Assistance Committee (DAC) compiles calendar year disbursements of official development assistance data from donor countries and publishes the results annually. The latest available data are for calendar year 2006. See OECD announcement of preliminary 2006 data at [http://www.oecd.org/document/17/0,3343,en_2649_201185_38341265_1_1_1_1,00.html].

measured in terms of GNI or annual budgets. They point out that the United States is the largest provider of foreign assistance in monetary terms among all donors, often providing a quarter of all ODA disbursements tracked by the DAC.

Critics of large increases in foreign aid believe that many developing countries lack the capacity to absorb large inputs of assistance, and that such levels could overwhelm weak government institutions, including health care and education systems. For example, some USAID missions have expressed concern that the health care systems in some PEPFAR countries are not capable of sustaining the large amount of HIV/AIDS funds that have increased precipitously in recent years, and are proposed to climb further under the President's pledge to double funding in the FY2009-FY2013 time frame.[20]

Observers also contend that large increases in aid run the risk of creating recipient country dependency from ill-designed projects created in the immediate aftermath of large infusions of funds to aid programs. Such a situation does not square with the underlying notion that nations should eventually graduate from assistance. They believe, instead, that U.S. aid agencies should focus on quality programs that reward countries taking the necessary steps to promote their own development. In other words, aid policy should be concerned with outcome rather than input, a criticism also shared by those advocating aid increases. Others believe that the budget should be based on need and demand, rather than on any arbitrary formula. This would entail a demand-driven approach with greater field involvement.

Figure 4. Proposals for Increased Aid



Source: CRS calculations based on the FY2008 budget request.

[20] Author interviews, Summer 2007.

Policy Options

The topic of foreign aid reform and reorganization has existed nearly as long as foreign aid programs themselves. In fact, the creation of USAID in the Kennedy Administration was partly an effort to bring coordination to aid programs that had developed across government agencies. Since then, there have been numerous studies of how best to organize foreign aid in order to increase its effectiveness and to support U.S. interests.[21]

There are at least three paths Congress can consider with regard to policy options. One is to maintain the status quo, with all the attributes described herein. A second is to maintain the Foreign Assistance Act of 1961, as amended, but further amend it to reflect the challenges of the 21st Century, and possibly to support a different mix of assistance by refocusing goals, strategies, and programs. As outlined below, those include refocus assistance; change or better define the role of the Department of Defense; change the use of multilateral instruments and organizations; and create a unified budget.

Another path, and arguably a more ambitious one, is to reorganize the current aid infrastructure to achieve congressional objectives. This could entail a re-write of the Foreign Assistance Act of 1961. As outlined below, structural reform options include elevate USAID to a cabinet-level department; merge USAID into the State Department; create a new aid agency with increased jurisdiction; and improve interagency coordination.

Reform Options

Refocus Assistance

With the growth in objectives, priorities, and programs, some reform proponents have suggested that donor countries should refocus their programs on more defined goals. They suggest that a country's aid programs should focus on particular sectors, regions, or objectives, preferably based on the strengths a donor has to offer recipient countries.[22]

Other donor countries have undertaken reforms to refocus their foreign assistance, or have initiated reviews of their programs. Sweden recently announced

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[21] For more information on these many efforts, see "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to the Present," by Larry Nowels, in *Security by Other Means: Foreign Assistance, Global Poverty, and American Leadership*, Lael Brainard (Ed.), Washington, D.C.: Center for Strategic and International Studies, Brookings Institution Press, 2007.

[22] This approach is consistent with the Paris Declaration on Aid Effectiveness, signed by OECD members, including the United States, in 2005. The Paris Declaration calls for donor coordination, among other items, such as measuring progress and recipient country involvement in development planning.

that it would reduce the number of recipient countries from 70 to 33 while maintaining the same level of funding.[23] Programs will focus on three categories of countries: those in need of long-term development, largely poverty reduction projects in Africa; those in conflict or post-conflict situations, such as Afghanistan, Colombia, Iraq, Liberia, and Sudan; and eastern European countries in order to deepen cooperation and European integration. France's new government has proposed linking its aid to the good governance practices of recipient nations. Government officials have said that France's aid programs should be streamlined with clear priorities and limited scope, and should focus on "one or two strategic aims."[24]

A refocused U.S. aid program could be one that identifies a limited number of objectives or priorities, and then directs funding for those objectives. The objectives chosen would have implications for the regional distribution of aid, as for example, an objective to alleviate poverty would benefit Africa at the expense of other regions. At its most extreme, this approach would entail a dramatic scaling back of U.S. aid activities that do not support the chosen focus, and could also mean a reduction in the number of countries receiving U.S. assistance. A less drastic refocusing could be similar to the process undertaken in 2006 that produced the Strategic Framework for Foreign Assistance that linked assistance to five strategic objectives. This approach, as currently managed, does not overcome problems of coherence and coordination among U.S. government agencies.

Change/Define Role of Defense Department

The role of the Department of Defense in foreign aid activities has increased in recent years, largely in response to stabilization and reconstruction activities in Iraq and Afghanistan. The proportion of DOD foreign assistance has increased from 7% of bilateral official development assistance in calendar year 2001 to an estimated 20% in 2006. Defense activities include the provision of humanitarian assistance and training in disaster response, counter-narcotics activities, and capacity building of foreign militaries.[25] Much of this assistance is managed by the Defense Security Cooperation Agency (DSCA).

The increased role of DOD in foreign assistance has been debated both within military and civilian circles. Secretary of Defense Robert Gates has stated that U.S. civilian development assistance agencies need to be reinvigorated, and that until they

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[23] "Sweden Cuts List of Foreign Aid Recipients to Focus on Africa," *Agence France Press*, August 27, 2007.

[24] "France Considers Tying Foreign Aid to Firm Conditions," *Agence France Press*, July 17, 2007, "Aide au développement — Les quatre conditionalités de la France," *All Africa*, July 19, 2007. See also *Overcoming 40 Years of Failure: A NewRoad for Sub-Saharan Africa*, Standing Senate Committee on Foreign Affairs and International Trade, Senate of Canada, February 2007.

[25] Foreign military capacity building is carried out under authority of Sec. 1206 and Sec. 1207 of the National Defense Authorization Act of 2006 (P.L. 109-163), as amended by the John Warner National Defense Authorization Act of 2007 (P.L. 109-364). DOD implements the IMET and FMF programs, although the funds are appropriated to the State Department with decisions on recipients made by the State Department.

are strengthened, the military will have to engage in reconstruction activities. Advocates of a greater role for DOD argue that the military is often in the best position, with personnel on the ground, to provide timely assistance in conflict and post-conflict situations, and in response to natural disasters. Further, they say, DOD has more flexibility in the allocation of assistance. Finally, DOD has the resources and technical capacity to provide timely assistance in many cases.

Those who are concerned about the increased DOD profile warn that it results from a diminution of personnel expertise at USAID and State, and that it will further contribute to this problem. Critics believe that DOD is supplanting and eroding the traditional role of the State Department and USAID, agencies that critics argue should be in charge of these types of policy decisions. Further, they caution that there may not be the degree of coordination among these three entities that they argue is necessary to achieve U.S. foreign policy objectives. Others believe, however, that requirements that involve the Secretary of State in the decision-making process ameliorate this concern. Still others contend that DOD programs can be duplicative and are better carried out by civilian agencies. Finally, many believe that aid programs detract from DOD's primarily military function.

Any redesign of foreign aid programs would likely take into account the role of the Defense Department. Options for addressing the role of DOD include making the Defense Security Cooperation Agency a co-managed entity between the Department of Defense and the Department of State, or moving the DSCA into a new aid agency. Another option is to bring the DSCA under the control of an interagency coordinating mechanism.

Change Use of Multilateral Organizations

In addition to bilateral assistance, the United States contributes to multilateral institutions that carry out development activities. These institutions include international and regional organizations, such as the United Nations and the Organization of American States, and multilateral banks, such as the World Bank, Inter American Development Bank, Asian Development Bank, African Development Bank, and European Bank for Reconstruction and Development.

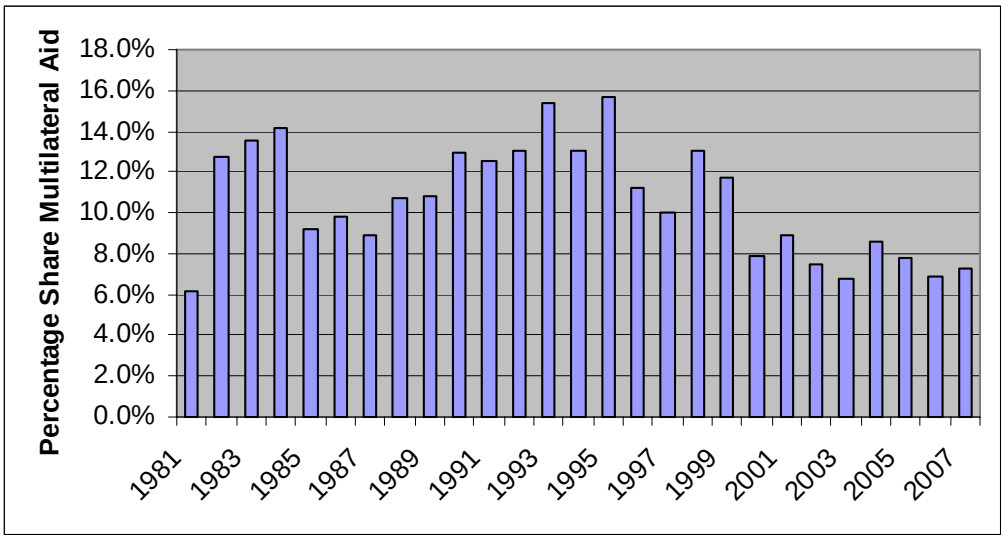
Since FY2000, the share of funds that the United States provides (not including assessed dues to some international organizations) has averaged a little less than 8% of the total amount appropriated for foreign assistance programs. The lowest point occurred in FY2003 with 6.8%. Previous to the 2000s, the United States contributed a higher share. The average during the 1980s was nearly 11%, and nearly 13% in the 1990s. **Figure 5** shows the ratio of multilateral aid to total foreign aid since 1981. Decreases since 2003 can be attributed to the large increase in bilateral assistance in light of new initiatives such as PEPFAR and MCC.

Congress may consider the desired level of U.S. contributions to multilateral institutions. There have been disagreements between the Administration and Congress on the use of multilateral institutions. The debate on funding levels for the U.S. contribution to the Global Fund for AIDS, Tuberculosis and Malaria is one example, where Congress has consistently provided more funds than requested by the Administration.

Proponents of a greater use of multilateral institutions believe that these organizations are better suited to carry out development activities because they can pool the resources of member nations and, as a result, can bring more funds to any particular country or problem. They argue that these organizations often fund large infrastructure projects, activities in which USAID no longer engages.[26] Others believe that they can tackle long-term development issues with a longer and more consistent commitment of resources. Some also contend that multilateral institutions often have better credibility in recipient countries and are not burdened by possibly poor relations that may exist between some donor and recipient countries. Those who advocate greater flexibility observe that multilateral assistance often is not subject to as many statutory restrictions in both appropriations and authorization legislation.

Critics of multilateral institutions argue that they lack accountability and transparency in how funds are spent and how policy decisions are made. They believe that the United States would not have enough say in how assistance is provided and to whom, possibly resulting in situations where U.S. funds are going to support governments with which the United States has serious policy differences. Others contend that a greater use of multilateral institutions will mean that the United States will not get acknowledgment from the recipient countries for its foreign aid contributions.

Figure 5. Share of Multilateral Assistance, FY1981-FY2008



Source: Enacted foreign operations appropriations bills, and CRS calculations.

Notes: FY2008 is based on the budget request. Figures do not include supplementals and periodic IMF replenishments that occurred in 1981, 1984, 1993, and 1999.

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[26] It should be noted, however, that the United States does fund some large infrastructure projects through the Millennium Challenge Account. See CRS Report RL32427, *The Millennium Challenge Account*, by Curt Tarnoff.

Create a Unified Budget

In the parlance of the U.S. budget, international affairs comprises Function 150 spending, while the defense budget is considered Function 050. Function 150 is appropriated through the annual State Department, Foreign Operations, and Related Programs appropriations bill, while Function 050 is largely appropriated through the Defense and Military Construction appropriations bills.

Programs in domestic agencies that provide some type of foreign assistance are not included in Function 150. Instead, those funds are requested and approved within their own budgets. This situation has led observers to criticize U.S. aid as being uncoordinated and lacking transparency, as there are no central reporting requirements. It is difficult to ascertain how much the United States spends in some sectors that receive assistance from various agencies, such as health (USAID, State, HHS, CDC), education (State, USAID, Department of Education), or environment (State, USAID, Department of the Interior, Department of Agriculture, EPA, NOAA, U.S. Forest Service, U.S. Fish and Wildlife Service), for example.

There are several related proposals to create some sort of unified budget.

Unified Function 150 Budget or Budget Presentation. One proposal is to include all foreign assistance spending in Function 150 with the budgeting process coordinated by the lead aid agency, although program specifics would be developed by the agency providing the assistance. Under this scenario, funds would still be part of the various agencies, but the budget request would be unified and presented by the head of the aid agency. A related option is to maintain the current function categories, but have the Administration present a congressional budget justification that includes all foreign assistance programs government-wide. Proponents believe such a unified budget, or presentation, would provide Congress with a fuller picture of the totality of foreign aid, and assist in making policy decisions. This option would also offer the possibility of being able to identify redundancies and inconsistencies in programs. Critics would argue that reorganizing budget functions would be time consuming, and that the issue of coordination could be achieved through other means.

Unified National Security Budget. Another option is to combine Functions 050 and 150 into a national security budget. While the Defense base budget request for FY2008 totals $483.2 billion, the foreign aid budget of $24.4 billion pales in comparison. Combining the two would offer the advantage of coordinating the programs and funding levels among the three main agencies providing assistance. Proponents believe that this option would increase transparency, and reduce duplication of aid programs. Critics argue that including foreign assistance in a national security budget that consists mostly of defense spending would present the wrong image for USAID as an independent civilian agency, and one whose mission is fundamentally different from that of DOD. In addition, critics do not believe that the proposal would result in additional foreign assistance, unless the foreign aid budget is fenced within a national security budget.

Restructuring Options

Elevate USAID to Cabinet-Level Department

The impetus behind the proposal to create a cabinet-level department is to put foreign assistance on an equal footing with diplomacy and defense, consistent with its elevation as a pillar of U.S. national security. In addition, other donor countries have, in recent years, given their aid agencies increased standing on a par with their foreign and defense ministries, the most often cited being the United Kingdom's Department for International Development (DFID).[27]

As a cabinet department, it is believed that a Secretary for Development would be better able to work as an equal with other department heads in order to coordinate aid programs government-wide. It would also operationalize the rhetoric of elevating the importance of global development. In addition, there is the possibility that a department would attract experienced development professionals, who have left USAID as its operating budget has continued to decline.

Some critics oppose the idea on the grounds that other equally important agencies are not in the cabinet, and that USAID should remain under the foreign policy direction of the Secretary of State. Others believe that even as a cabinet agency, USAID would not be equal to the more powerful Departments of State and Defense. Some would also argue that USAID controls just 20% of foreign assistance,[28] with the remaining controlled by the State Department and other independent aid agencies, such as the Millennium Challenge Corporation. In addition, the option does not formally provide for better government-wide coordination.

Merge USAID into State Department

As currently structured, USAID is an independent agency, but as provided in reorganization legislation in 1998, it takes foreign policy guidance from the Secretary of State. Some observers have suggested that the F bureau's location in the State Department has made USAID a subordinate entity in terms of both policy and budgeting. Some have termed these events as a stealth merger. A previous attempt to merge USAID into the State Department failed in 1998, when the U.S. Information Agency (USIA) and the Arms Control and Disarmament Agency (ACDA) were abolished and their functions folded into State (P.L. 105-277).

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[27] See Owen Barder, "Reforming Development Assistance: Lessons from the U.K. Experience," in *Security by Other Means: Foreign Assistance, Global Poverty, and American Leadership*, Lael Brainard (Ed.), Center for Strategic and International Studies, and the Brookings Institution Press, 2007.

[28] Figures are based on the FY2007 foreign operations appropriated levels. USAID implements and co-manages some State Department aid programs, but many would argue that State decides the allocation of those funds.

During the debate that unfolded over several years, proponents contended that better coordination could not be accomplished with USAID remaining an independent agency. As separate agencies, the State Department and USAID at times have had conflicting agendas, duplicative functions; USAID programs, according to reformers, did not at times properly reflect national priorities. They also maintained that having foreign assistance managed by the State Department would result in a better use of scarce resources. Both arguments are relevant in the current debate. Proponents note that the State Department's aid budget already dwarfs that of USAID, controlling nearly 64% of funds provided by foreign operations appropriations for FY2007.[29] In addition, supporters contend that having the Secretary of State in charge of foreign assistance would raise its profile, and result in better coordination of programs located in other agencies. Current merger proposals call for the official in charge of aid at the State Department to have a high rank, and for a merger of the two foreign services so that USAID officials could be considered for ambassadorships.

Opponents countered, then as now, that the State Department and USAID have different and distinct missions. The State Department primarily focuses on resolving short-term crises through diplomacy, while USAID pursues long-term development achievements that could be compromised by the Department's need to shift funds for crisis management. Critics believe that aid policy would be diminished within State, pointing out that moving USIA into State in 1998 did nothing to raise the profile of public diplomacy, and many would argue, did the exact opposite. Critics also argue that the State Department lacks both an interest in aid programs and the expertise in managing them, a view that was confirmed by a recent GAO report.[30] Finally, a merger does not formally address the coordination of aid programs government-wide, instead relying on the level of prestige and interest of the Secretary of State.

Create Aid Agency with Increased Jurisdiction

Another possibility is to create an aid agency by giving it jurisdiction over all U.S. foreign assistance, including that provided by the State Department and domestic agencies. Under such a scenario, it may not be necessary to elevate it to the cabinet; its importance would derive from it having the full range of aid programs in its portfolio.

To be successful, it is believed that a new agency would need to have all current USAID and State Department programs, including PEPFAR, as well as those of independent agencies under its umbrella, such as the Millennium Challenge Corporation, the Peace Corps, the Overseas Private Investment Corporation, and the Trade and Development Agency. Organizationally, it is suggested that the agency

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[29] State's aid portfolio has increased in recent years by the decision to locate large aid programs, such as GHAI, at the State Department. Other sizeable programs managed by State, although they may be implemented by other entities such as USAID and DOD, include FSA, SEED, ACI, ESF, FMF, IMET, INCLE, PKO, ERMA, and the Democracy Fund.

[30] U.S. Government Accountability Office, *Department of State: Human Capital Strategy Does Not Recognize Foreign Assistance Responsibilities*, September 2007.

would have bureaus that correspond to functions, such as humanitarian assistance and disaster response, long-term development, health, security and military assistance, trade, and innovative programs, such as MCC and the Global Development Alliance (GDA).[31] While it may be politically difficult to move the programs of domestic agencies into this new entity, a system of liaison offices could be instituted instead. For example, say proponents, a Centers for Disease Control and Prevention (CDC) and a Health and Human Services Department (HHS) liaison office co-located in the health bureau would increase coordination and program formation.

With all aid programs in its portfolio, it is believed that the agency would be in a better position to monitor and evaluate program effectiveness. In this view, it would also be able to provide the coordination necessary to avoid duplication and programs working at cross purposes. Proponents say that a re-invented aid agency would be able to enhance its human capital capacity by bolstering its cadre of development experts, and that the agency would become the lead government entity on policy, implementation, and research.

On the other hand, the proposal could be criticized for creating a large new bureaucracy that may be no better at managing foreign assistance than the current structure. Without a clearly thought out strategy and objectives to guide foreign aid, the organization of aid delivery would matter little. Others believe that independent agencies have been created with a specific mission and that those missions could well be downgraded or neglected in a larger organization. Still others contend that development assistance, with its focus on poverty alleviation and long-term development, should not be co-located with security and military assistance, much for the same reasons, they would argue, that USAID should not be merged with the State Department.

Improve Interagency Coordination

There have been previous attempts to improve interagency coordination of aid programs; the most often cited are the Development Coordination Committee (DCC) and the International Development Cooperation Agency (IDCA). Both were considered unsuccessful. However, there are other examples of interagency coordinating mechanisms outside of the aid field, such as the National Security Council, the Director of the Office of National Drug Control Policy, and the Council on Environmental Quality.[32] The need for some type of coordination is evidenced by the growth in the number of agencies and departments that administer some type of foreign assistance program. There is little coordination or joint policy development among these entities, leading many observers to characterize U.S. aid programs as fragmented and vulnerable to programs and agencies working at cross-purposes. In many cases, existing departments have adopted an aid component. In other cases,

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[31] The Global Development Alliance forms partnerships with private capital to carry out aid activities.

[32] For more information on coordinating mechanisms, see CRS Report RL31357, *Federal Interagency Coordinative Mechanisms: Varied Types and Numerous Devices*, by Frederick M. Kaiser.

new independent agencies have been created with specific mandates, the most recent being the Millennium Challenge Corporation, created in 2004.

The U.S. report to the OECD provides information on the contributions of various government entities providing aid. Those entities totaled 28 in calendar year 2006.[33] The percentage of ODA provided in calendar year 2006 (**Figure 6**) from agencies other than the Department of State and USAID totaled 42%. The following entities, excluding the State Department and USAID, are drawn from the DAC report:

- Cabinet-level departments.
    - Agriculture.
    - Defense.
    - Commerce.
    - Energy.
    - Health and Human Services.
    - Interior.
    - Justice.
    - Labor.
    - Treasury.
- Sub-cabinet organizations.
    - Centers for Disease Control and Prevention (CDC)
    - National Institute of Standards and Technology (NIST).
    - U.S. Patent and Trademark Office (PTO).
    - National Oceanic and Atmospheric Administration (NOAA).
    - U.S. Fish and Wildlife Service (USFWS).
    - U.S. Forest Service (USFS).
- Independent Agencies.
    - Millennium Challenge Corporation.
    - Environmental Protection Agency.
    - Peace Corps.
    - African Development Foundation.
    - Inter-American Development Foundation.
    - Trade and Development Agency.
    - Export-Import Bank.
    - Overseas Private Investment Corporation.
    - U.S. Institute of Peace.
    - National Science Foundation.

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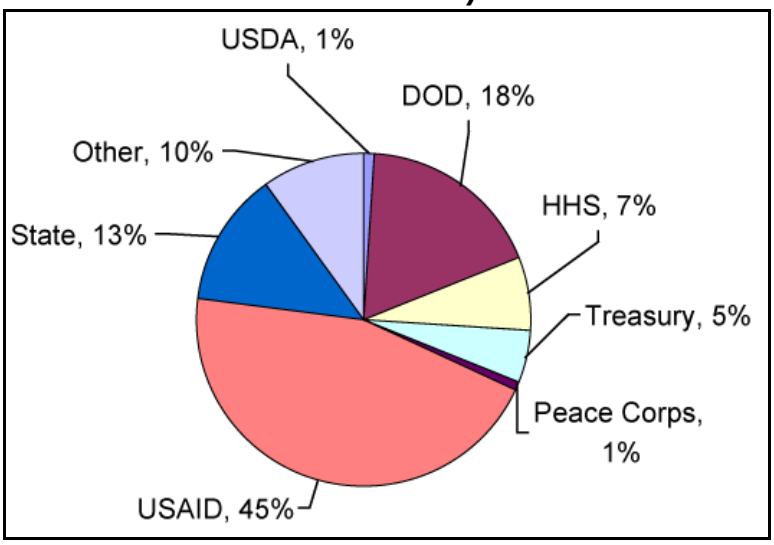
[33] The USAID website states that "over 50 separate government units carry out aid-related activities overseas," but does not include a list of those entities. See "USAID-US Government Coordination," at [http://www.usaid.gov/policy/coordination/us_gov_coordination.html]. In addition to the departments identified above, in calendar year 2004, the Department of Transportation and the Department of Homeland Security reported ODA contributions. Also not included are those agencies that are represented at U.S. embassies in a liaison capacity to foreign governments, such as the Federal Bureau of Investigation, and the Drug Enforcement Administration.

Figure 6. Distribution of ODA by Agency, CY2006 (Percentage of Net ODA, Bilateral and Multilateral Assistance)



Source: USAID, report to the OECD.

Notes: The OECD Development Assistance Committee (DAC) tracks disbursements on a calendar year basis, rather than appropriations on a fiscal year basis. Consequently, these figures do not align with ratios of State to USAID appropriations, because USAID implements many State programs, and would report the corresponding disbursements. Notwithstanding these issues, the data is a reliable source of information on the aid activities of all government agencies.

The other category includes Departments of Commerce (0.04%), Energy (0.16%), Labor (0.29%), and the Interior (0.81%); African Development Foundation (0.08%); Inter-American Development Foundation (0.08%); Trade and Development Agency (0.22%); Environmental Protection Agency (0.31%); Export-Import Bank (6.7%); Millennium Challenge Corporation (0.65%); and the U.S. Institute of Peace (0.01%). It should be noted that ODA does not include military assistance programs such as Foreign Military Financing, and International Military Education and Training, managed by the State Department; nor does it include the costs of military operations.

There are a number of options available to policy makers to improve interagency coordination. These options range from maintaining the current foreign aid structure, with possible modifications to improve coordination; creating a coordinating entity with the authority to marshal the resources of various government entities, or elevate USAID, or a successor aid agency, within the National Security Council structure.

Create a Coordinating Entity. This option would be similar to the Development Coordination Committee (DCC), or the International Development Cooperation Agency (IDCA). The DCC was authorized by Sec. 640B as an amendment to the Foreign Assistance Act of 1961 to advise the President on the coordination of policies and programs affecting developing countries. The DCC was established by executive order in 1973, with the USAID Administrator as chair, and

was later revoked by executive order in 1999.[34] The DCC reportedly did not function well for a variety of reasons, including a lack of White House commitment to foreign aid programs, and the difficulty in having an agency (USAID) trying to coordinate the activities of Cabinet departments.

The International Development Cooperation Agency was inspired by proposed legislation to coordinate all government foreign assistance programs. The agency created by President Carter in 1979 by executive order was a much weaker organization than that envisioned by its chief legislative sponsor, Senator Hubert Humphrey. Considered understaffed and with a jurisdiction limited largely to just USAID, the IDCA ceased to function in the Reagan Administration.

Any new coordinating entity would need a commitment from the White House, and strong leadership at its helm with the authority to coordinate across department jurisdictions. Consideration could also be given to providing the position with authority to coordinate the foreign aid budgets of all ODA-contributing agencies.

Elevate Aid Agency Within NSC Structure. The National Security Council (NSC) serves as the President's principal forum for considering national security and foreign policy issues, and coordinating policies among government agencies. The NSC was established by the National Security Act of 1947 (P.L. 235-61 Stat.496; U.S.C. 402). By statute, members include the President, Vice President, Secretary of State, and Secretary of Defense, and by executive designation, the Secretary of the Treasury and the Assistant to the President for National Security Affairs. The Chairman of the Joint Chiefs of Staff is the statutory military advisor, and the Director of National Intelligence is the intelligence advisor. Other various department heads are invited to attend meetings as appropriate. USAID participates at the NSC through the Policy Coordination Committee (PCC), which is a unit of the NSC charged with policy coordination.

The proposal to elevate a U.S. aid agency within the structure of the NSC is predicated on three observations. First, the U.S. National Security Strategy, as articulated in 2002 and restated in 2006, elevates global development as a third pillar, along with defense and diplomacy, of national security. Yet, little structural change has been made to reflect this elevation in the importance of USAID's work. Second, the lack of success in past attempts has been attributed to either a lack of interest on the part of the White House, and to the USAID Administrator lacking the rank necessary to coordinate other cabinet departments. Third, the current participation of USAID at the Policy Coordination Committee level may not be high enough to accomplish effective coordination.

There are numerous possible mechanisms to raise the status of development within the NSC structure. Congress could statutorily designate the head of a U.S. aid agency, whether or not it is cabinet-level, to NSC membership. As such, this person would participate in all national security-related debates. Alternatively, Congress could designate an aid coordinator within the NSC with the authority to convene regular meetings with the relevant agency heads. Several committees exist within the

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[34] The DCC structure remains in the FAA as an unimplemented provision.

NSC, such as the Committee on Transnational Threats, and the Committee on Foreign Intelligence. A possible option is to create a committee on foreign assistance with the central mission of developing aid policy and providing government-wide coordination.

Maintain Status Quo With or Without Minor Modifications. Some policy makers may eschew the idea of a formal coordinating mechanism as creating an additional level of bureaucracy that would do little to improve aid effectiveness. Coordination exists at the field level among agencies represented at U.S. embassies. At a policy planning level, they can point to the development of interagency coordination that has arisen among Defense, State and USAID. At least two combatant commands (Southcom and Africom) are integrating civilian agencies at headquarters with the objective of coordinating aid activities better. At the newly operational Africom, plans are for a senior State Department foreign service officer to hold the position of deputy to the commander for civil-military activities.[35] With the increase in DOD providing aid, both the State Department and USAID have created offices (Office of Political-Military Affairs at State, and the Office of Military Affairs at USAID) to manage the relationship.

Advocates of a less formal coordinating approach contend that aid levels of other agencies are a small fraction compared to that provided by USAID, State, and DOD combined, which reached 76% of ODA in calendar year 2006. There is also the possibility that the DFA's mandate could be expanded to include all U.S. foreign assistance, although such an approach, led by a sub-cabinet officer, may not result in the full cooperation of all cabinet departments.

Re-write the Foreign Assistance Act

An issue in the current debate on foreign aid reform is whether it is necessary or practicable to replace the current law governing U.S. aid programs, the Foreign Assistance Act of 1961, (FAA) as amended. The debate may be resolved based on the degree of proposed reforms. The more ambitious, such as a Cabinet-level aid agency, would call for authorizing legislation. To refocus assistance, whether by region, sector, or purpose, may not require a new FAA.

The Foreign Assistance Act of 1961 has not been comprehensively reauthorized since 1985. Instead, Congress has considered and enacted single-issue foreign aid legislation, some of which have been incorporated into the Foreign Assistance Act. These laws have authorized assistance to the former Soviet Union (FREEDOM Support Act), eastern Europe (SEED Act), and established new funding platforms, such as the President's Emergency Plan for AIDS Relief (PEPFAR), and the Millennium Challenge Corporation.

Supporters of a comprehensive re-write of the FAA argue that the 1961 law is largely a Cold War document that is out of date with current issues and absent the

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[35] "Africa Command Works to Become Effective," *Department of Defense Documents, American Forces Information Service News Articles*, October 5, 2007, and "Making Room for Civilians, Southcom Organization Could Be 'Model,'" *Inside the Army*, October 8, 2007.

policy direction needed to guide U.S. foreign assistance in the 21st Century. Many point out that the Act identifies over 33 major objectives, 75 priorities, and 247 directives[36] for U.S. aid, many added through subsequent reauthorizations and amendments, but does not prioritize them. The history of changes to the FAA has also produced what many believe is a list of program restrictions, conditions, and reporting requirements that can be either outdated, conflicting, or both. They further argue that other statutes passed by Congress as stand-alone legislation (i.e., they were not incorporated into the FAA), complicate efforts to revise and update current law, to fully understand the implications of new legislation or the obstacles that exist in existing provisions, and to provide coordination and coherence to the complete complement of U.S. aid programs.

Others believe that a complete re-writing of the FAA is not necessary, and that the political difficulties in passing such legislation may doom needed aid reforms. For any priority listed in the FAA, there are likely supporters who would oppose its removal, or a lessening of the priority accorded to it. Instead, they argue, reform efforts should focus on policy development, coordination, and implementation of existing programs. Even more ambitious reforms, except for the creation of a new assistance entity, could be accomplished within the existing statutory framework that grants the President the necessary authorities to administer foreign aid programs, and with single-issue legislation to authorize new initiatives.

Major Reform Report Recommendations

The recognition that foreign aid serves important national interests, together with annual increases in foreign aid budgets since 9/11, has produced several government- and non-governmental-sponsored studies of how to raise the profile of foreign assistance, provide better coordination, and improve aid effectiveness. In the last year, several reports from three organizations have generated a considerable amount of interest. For clarity and comparability, each entity's recommendations, provided below, have been organized by the subject areas of budget, structure, and policy options, although some recommendations have implications for all three areas.

HELP Commission

The HELP Commission was created by the Helping to Enhance the Livelihood of People Around the Globe Commission Act (HELP Commission Act, 22 USC 2394b). Introduced by Representative Frank Wolf in October 2003, and passed by Congress as Sec. 637 of the Consolidated Appropriations Act, FY2004 (P.L. 108-199), the Act called for a commission to study and report on U.S. foreign development assistance programs. The Commission began operations in 2005 and issued its report, *Beyond Assistance*, in December 2007. The Commission was composed of 21 members: 6 appointed by the President, 4 each appointed by the

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[36] Steven Radelet, Center for Global Development, "Foreign Assistance Reforms: Successes, Failures, and Next Steps," Testimony and Responses to Questions for the Record for the Senate Foreign Relations Subcommittee on International Development, Foreign Assistance, Economic Affairs, and International Environmental Protection, June 12, 2007.

Speaker of the House and Senate Majority Leader, and 3 each appointed by the House Minority Leader and Senate Minority Leader, with the Administrator of the U.S. Agency for International Development serving as an ex officio member.

The Commission was charged with identifying past and present objectives of U.S. development assistance, analyzing whether such assistance should be used as a means to achieve U.S. foreign policy objectives, and considering how to evaluate the performance of aid programs. The Act called for a comprehensive review of policy decisions, delivery obstacles, and best practices. The Commission held a series of meetings with development experts, and conducted study missions to aid recipient countries. It looked at both the efficiency and effectiveness of aid programs government-wide, including development, security, humanitarian, and food assistance.

Major HELP Commission recommendations include the following:

Policy. In general, the HELP Commission recommends that there be a recognition that security and development reinforce each other.

- Rewrite the Foreign Assistance Act of 1961 to reflect current and anticipated world conditions.
- Build vibrant private sectors by increasing U.S. technical assistance and funding for small and medium businesses that do not have access to private capital.
- Renew efforts to improve agricultural productivity and related industries in the developing world, including taking actions to minimize the effects of domestic agricultural subsidies and to encourage G-8 countries to do the same. Increase the local purchase of food aid.
- Form partnerships with local public and private entities to increase demand-driven programs.
- Leverage non-governmental actors and growth in philanthropy and private investment through programs like the Global Development Alliance (GDA).
- Align U.S. trade and development policies. One suggestion is to allow duty-free, quota-free provisions for MCC-eligible countries and for the poorest countries with a per capita Gross Domestic Product below $2,000.
- Establish a Quadrennial Development and Humanitarian Assistance Review.

Structure. The HELP Commission did not reach a consensus on an organizational structure, although the majority of commissioners supported a redesigned Department of State. A strong minority also supported the creation of a cabinet-level department for global development.

- Create a new combined USAID and Department of State called the International Affairs Department to reflect the elevation of development as a pillar of national security. The new department would have four sub-cabinet agencies reporting to the Secretary:

economic affairs, development, and trade; humanitarian services and stabilization; political and security affairs; and public diplomacy and consular affairs. The report argues that this is not to "simply move USAID into the current Department of State. It would completely reorganize these and other agencies and departments by functions to ensure a coordinated, coherent approach." (Page 15, Executive Summary.)

- Establish an entity to conduct research and development modeled on the Defense Advanced Research Projects Agency (DARPA) that would create and commercialize technological products that would benefit developing countries.
- Establish a high-level mechanism to coordinate aid policy for all government agencies in the Executive Office of the President, possibly within the National Security Council.
- Strengthen the Office of the Coordinator for Reconstruction and Stabilization, and implement the Administration proposal for a Civilian Response Corps.

Budget. The HELP Commission recommends increases for the international affairs budget that could result in a doubling of foreign assistance funding.

- Create a unified national security budget combining Functions 050 and 150, and fencing as much as 10% for international affairs activities. Ten percent of such a budget would result in a doubling of current foreign aid levels.
- Improve the monitoring and evaluation, human resources, and procurement and contracting capabilities of U.S. international affairs agencies. This includes strengthening staff resources devoted to development and doing away with the Operating Expense account.
- Agree on uniform procedures for reprogrammings and congressional holds.
- Consolidate and realign the foreign aid account structure.
- Establish a permanent Humanitarian Crisis Response Facility funded at $500 million and a Transitional Security Crisis Fund.
- Clarify DOD's role in development assistance by ensuring adequate funding for State and USAID programs in areas in which DOD is engaged.

Senate Foreign Relations Committee

The minority of the Senate Foreign Relations Committee issued two reports in the last two years on aspects of U.S. foreign assistance programs. The first, *Embassies as Command Posts in the Anti-Terror Campaign* (S. Prt. 109-52), was issued in December 2006 and focused on the growing role of the Department of Defense in foreign assistance programs. The second, *Embassies Grapple to Guide Foreign Aid* (S. Prt. 110-33), was issued in November 2007 and examined the implementation of the new Strategic Framework for Foreign Assistance from a field perspective. Both reports made reform recommendations.

Policy. Similar to the HELP Commission report, the SFRC recommends a strategic approach that incorporates both security components and humanitarian programs.

- Design a foreign assistance strategy that integrates national security needs and a humanitarian imperative.
- Congress should
  - move expeditiously on ambassadorial nominations and funding decisions;
  - overhaul the Foreign Assistance Act of 1961, and implement a two-year reauthorization schedule; and
  - agree on reprogramming levels below which congressional notification is not required, on a three-year pilot program.
- Give ambassadors more decision-making authority over military-related assistance programs.

Structure. The Senate report recommends separating the DFA and USAID Administrator's positions, and to reorganize USAID to give it a voice at higher levels of government, even while the Secretary would have enhanced authority over aid programs.

- Give the Secretary of State the authority to ensure all aid, government-wide, is in U.S. foreign policy interest. Secretary should provide strategic direction, transparency, and accountability.
- The F process should be redesigned to
  - make decision-making clearer and more accountable;
  - make the DFA a position on which the Senate would advise and consent as Deputy Secretary of State;
  - give the DFA authority to prepare a unified aid budget and to referee funding disputes;
  - expand DFA's responsibility to all government aid programs, including DOD; and
  - create Deputy Assistant Secretary positions for programs at regional levels, similar to the State Department's SEED Coordinator.
- USAID should be reorganized to
  - separate the USAID Administrator's position from that of DFA;
  - give the USAID Administrator an independent presence on the President's highest level inter-agency councils on foreign aid issues, while still remaining under the policy guidance of the Secretary of State; and
  - give USAID officers more opportunities to achieve ambassadorships.
- Ambassadors and Deputy Chiefs of Mission (DCMs) should be trained in foreign assistance.

Budget. Like the HELP Commission report, the Senate report supports the concept of a unified budget and increased resources for both aid programs and USAID operations.

- Create a unified aid budget managed by the DFA.
- Strengthen USAID's in-house expertise and increase its resources, including its Operating Expense account.
- Increase resources for function 150 accounts to prevent the migration of aid programs to the Department of Defense.
- Executive-legislative relations and communication should be improved as a way to lessen the need or motivation for congressional directives and limitations.

Center for Strategic and International Studies (CSIS)

The CSIS Commission on Smart Power, chaired by Richard L. Armitage and Joseph S. Nye Jr., issued a report, *A Smarter, More Secure America*, in November 2007. The report's findings and recommendations are far-reaching and extend beyond foreign assistance. In general, the report advocates that hard power, as exercised by military might, be integrated with soft power, as conducted through diplomacy and development initiatives, thus resulting in "smart power." Among the recommendations with regard to foreign assistance are the following:

Policy. The CSIS report recommends a more engaged U.S. foreign policy that encompasses all aspects of international relations. Like both the HELP Commission and SFRC reports, it recognizes the inter-relation between security and development.

- Make greater investments in multilateral institutions such as the United Nations, the World Bank, and IMF. With regard to the United Nations, the report recommends a greater use of U.N. vehicles in the areas of peacekeeping and peacebuilding, counter-terrorism, global health, and energy and climate issues.
- Strengthen the G-8 summit process on routinely addressed issues, such as energy and climate, nonproliferation, global health, education, and the world economy.
- Work with local civil society and the private sector for more agile, innovative, and locally supported aid delivery systems.

Structure. The CSIS report does not endorse a cabinet-level agency, but does recommend that it have a cabinet-level voice. Like both the HELP and SFRC reports, it endorses the elevation of development within the organizational structure of government in order to improve the coordination of development activities government-wide.

- Create a cabinet-level voice on global development.
- Unify all government assistance programs.
- Create a U.S. Global Health Corporation to build a more unified approach to development and health.
- Create a smart power deputy under the national security advisor and the director of the Office of Management and Budget.

- Improve inter-agency coordination by strengthening department executive secretaries with an adjunct standing coordination center.
- Establish a Quadrennial Smart Power Review.

Budget. Consistent with both the HELP and SFRC reports, the CSIS report recommends increased funding for foreign assistance programs.

- Elevate the development mission within the U.S. government by increasing the size of the development and humanitarian budget and increasing aid effectiveness.

Other organizations and think tanks have studies in various stages of development. Many hope to be able to offer viable options to a new Administration and Congress. Most of these organizations support both increased resources and an elevated visibility for assistance programs. Disagreement remains on whether a new structure and authorizing legislation is needed, and what any new structure would look like.

Appendix. Acronyms

Funding Accounts:

ACI	Andean Counterdrug Initiative
CSH	Child Survival and Health
DA	Development Assistance
DF	Democracy Fund
ERMA	Emergency Refugee and Migration Assistance
ESF	Economic Support Fund
FMF	Foreign Military Financing
FSA	Assistance to the Independent States of the Former Soviet Union
GDA	Global Development Alliance
GHAI	Global HIV/AIDS Initiative
IDFA	International Disaster and Famine Assistance
IMET	International Military Education and Training
INCLE	International Narcotics Control and Law Enforcement
MCC	Millennium Challenge Corporation
MRA	Migration and Refugee Assistance
NADR	Nonproliferation, Anti-Terrorism, Demining, and Related Programs
PEPFAR	President's Emergency Plan For AIDS Relief
PKO	Peacekeeping Operations
PL 480	Food aid
PMI	President's Malaria Initiative
SEED	Assistance for Eastern Europe and the Baltic States
TI	Transition Initiatives

Other:

DFA	Director of Foreign Assistance
AFR	Africa
EAP	East Asia and Pacific
EUR	Europe and Eurasia
WH	Western Hemisphere
NE	Near East
SCA	South and Central Asia
OECD	Organization for Economic Cooperation and Development
DAC	Development Assistance Committee