

EXECUTIVE SUMMARY

United States foreign assistance could be more effective at delivering aid to address global development challenges. This report identifies principles of aid effectiveness and uses them to diagnose the major problems facing U.S. foreign assistance. It also proposes recommendations for meeting 21st century global development challenges. Given the current level of political will and interest in international affairs, now is the time to ensure that our foreign assistance is effective. Development is increasingly recognized as a third pillar of foreign policy, yet the U.S. falls short of delivering policies and projects to further the national interest. Additionally, more effective aid is urgently needed to address the recent economic crisis that has pushed 53 million more people around the world into poverty.ⁱ The future will hold even greater challenges for the fight against global poverty, and we need an effective aid delivery system in place to respond to these challenges.

The Principles of Aid Effectiveness

Global Washington has drawn on the international development expertise of our supporters from the academic, non-profit, philanthropic and business communities to develop the following principles of aid effectiveness:

1. **Transparency and Accountability:** to make information on strategy, goals and spending easily available to U.S. taxpayers and international beneficiaries, thereby increasing accountability.
2. **Consolidation and Coordination:** to make sure efforts are not duplicative and are able to meet articulated goals as well as ensure non-aid policies, such as diplomacy, defense and trade, complement aid goals.
3. **Local Ownership:** to ensure that aid aligns with local priorities, builds local capacity and promotes local economies.
4. **Targeting:** to direct aid at reducing poverty, especially in the world's poorest countries

These principles could serve as a framework for decision makers to assess aid effectiveness and develop policies to improve it. Or, in other words, to ensure that U.S. taxpayers' money is going where it is intended to go and to have the impact it is designed to have.

How Effective is U.S. Foreign Assistance?

This report finds that U.S. foreign assistance lacks transparency, although some agencies are more transparent than others. Researchers for this report found it difficult to access budget and program information for several agencies, especially the USDA. A major cause of this is the absence of a strategy that guides U.S. investments in global development, lack of overarching goals, and inconsistent mechanisms for monitoring and evaluating aid programs.

The lack of a strategy in combination with a labyrinth of legislation, agencies and a confusing budget process shows that U.S. foreign assistance lack consolidation and coordination. No individual or agency has the authority or responsibility for oversight and a \$40 billion FY09 International Affairs budget is divided between 75 different programs across 25 agencies. As a result, U.S. foreign assistance is extremely fragmented and unaccountable.ⁱⁱ

Local ownership is not prioritized. A host of U.S. foreign assistance practices limits the ability of countries to take ownership of development projects and make them sustainable. One example is the excessive use of tied aid, where U.S. foreign assistance dollars must be used to procure U.S. goods and

services. The U.S. ties around 72% of its aid, one of the highest tied aid rates in the world. Other countries, such as the UK, tie 0% of their aid.ⁱⁱⁱ

Foreign assistance is not targeted at reducing poverty. U.S. taxpayers may believe that their global development tax dollars are being spent to tackle the most extreme poverty, but they would be mistaken. Only half of U.S. aid focuses primarily on reducing poverty and less than a quarter goes to the least developed countries.^{iv} Instead, U.S. foreign assistance is spent on a variety of objectives other than reducing poverty, which are often related to short term political goals.

Recommendations and Actions to Make U.S. Foreign Assistance More Effective

1. Develop a National Global Development Strategy to increase coordination and transparency

Action: Support the *Initiating Foreign Assistance Reform Act* and the *Global Poverty Act* which mandate the President to develop a National Global Development Strategy.

2. Create a single department – perhaps an elevated and strengthened USAID – autonomous from State and the Department of Defense (DoD) to coordinate the implementation of the National Global Development Strategy.

Action: If either of the above bills passes, Global Washington should support the inclusion of **all sectors of global development in shaping the national development strategy**. Specifically, Global Washington should demand the **creation of a high-level U.S. foreign assistance administrator** and encourage the President to place the **internationally agreed upon Millennium Development Goals** at the center of this strategy.

3. Make information about the National Global Development Strategy, goals, and budget data easily accessible to U.S. taxpayers and partner countries. This will help to increase transparency and accountability.

Action: Ensure that the National Global Development Strategy includes specific recommendations to increase transparency in the model of www.recovery.gov.

4. Create unified legislation that clarifies the structure of foreign aid, improves the local ownership of aid and targets aid at the most pressing problems in the neediest countries:

Action: Over the next 6-12 months, support the efforts of Congressional leaders to rewrite the Foreign Assistance Act (FAA) and encourage the involvement of all dimensions of the global development sector, including academic, philanthropic, nonprofit, corporate, and government organizations in the rewrite process. Specifically the new bill should include recommendations to:

1. **Increase local ownership of aid programs by reducing ineffective aid channels**
2. **Improve the targeting of U.S. foreign assistance programs to the poorest countries**
3. **Promote cross-sector partnerships** to leverage the resources of the entire global development sector to meet development goals in the national interest

Comprehensive reform of U.S. foreign assistance will be difficult given its complex nature, dispersed beneficiaries and concentrated nature of constituents who benefit from the status quo. Nonetheless, Global Washington believes that there is a unique opportunity to seize the momentum for reform and create a U.S. foreign assistance system that meets the national interest and delivers effective 21st century aid.

As Global Washington's policy work moves forward, it should focus on an in-depth analysis of the two bills that will begin the reform process. Subsequently, Global Washington should develop strategies to include the voices of the global development sector in the State of Washington to shape the President's National Global Development Strategy as well as mobilizing support for a rewrite of the FAA.

ⁱ "Financial Crisis Could Trap 53 Million More People in Poverty." (World Bank, February 12, 2009).
<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22068931~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>.

ⁱⁱ FY 2009 International Affairs Budget Request. U.S. Department of State.
<http://www.state.gov/f/releases/iab/fy2009cbj/>.

ⁱⁱⁱ Easterly, William and Pfutze, Tobias. "Where Does the Money Go? Best and Worst Practices in Foreign Aid." *Journal of Economic Development*, 22 (2008): 17.

^{iv} OECD. "Development Assistance Committee Peer Review of the United States." (Paris: OECD, December 2006), 26. <http://www.oecd.org/dataoecd/61/57/37885999.pdf>.