July 28, 2017

Wade Warren
Acting Administrator, USAID
1300 Pennsylvania Ave NW
Washington, DC 20004

Dear Acting Administrator Warren,

On behalf of the members of the Advisory Committee on Voluntary Foreign Aid (ACVFA), we are submitting the following set of recommendations to the United States Agency for International Development (USAID) Re-Design Steering Committee.

These recommendations are submitted in response to the memorandum on reforming the federal government issued by the Office of Management and Budget (OMB) on April 12, 2017. Given the White House’s expressed intent to “make government lean, accountable, and more efficient,” ACVFA has sought to leverage itself as a resource in the re-design conversations related to U.S. foreign assistance.

Specifically, ACVFA commissioned the Efficiency in Effectiveness and Organization (EEO) Working Group to synthesize the discourse concerning operational and structural reform as it relates to USAID and U.S. foreign assistance more broadly. Through this synthesis, the EEO Working Group built out a set of concrete recommendations intended to guide any steps the federal government might take in reforming USAID and U.S. foreign assistance.

We recognize that ACVFA serves as a link between the U.S. Government and the private and voluntary organizations who commit themselves to humanitarian assistance and development work across the globe. Our members are leading advocates for the important role that the United States must play in foreign assistance, and understand the value that thoughtful and well-implemented reform can have.

We hope that these recommendations will prove useful in developing the best possible reforms for USAID and U.S. foreign assistance, and we look forward to serving as a partner throughout this process.

Sincerely,

Jack Leslie
Chairman, ACVFA
Chairman, Weber Shandwick

Carolyn Miles
Chairwoman, EEO Working Group
President and CEO, Save the Children
**Purpose of U.S. Foreign Assistance:**

Alongside diplomacy and defense, U.S. foreign assistance is a critical component of U.S. international engagement. Any improvements to USAID’s efficiency and effectiveness must be grounded in the ultimate purpose of U.S. foreign assistance, which can broadly be seen as poverty reduction and human development to build a more equitable and prosperous world for all.

These imperatives – global poverty reduction and human development – are squarely in the strategic interest of the United States, and robust support for development is an integral part of U.S. moral leadership throughout the world.

**Principles to Guide a Re-Design of U.S. Foreign Assistance:**

When considering U.S. foreign assistance, ACVFA affirms a set of key principles that should guide any efforts related to a governmental re-design:

- Foreign assistance should be grounded in the deeply held American values of basic human rights and the equality of every human being. As such, it should have a special focus on people who have been historically marginalized, such as women and girls, ethnic minorities, and refugees and displaced people.

- Development is a unique discipline complementary to diplomacy and should not be merged with the diplomatic functions of government.

- Humanitarian assistance should be provided based on need alone and in keeping with international humanitarian principles.

- The utilization of foreign assistance funds should be open and transparent to the U.S. tax payers that provide it as well as to the citizens of the countries that receive it.

- The government agencies that administer foreign assistance owe it to tax payers and aid-recipients alike to continually improve the efficiency and effectiveness of U.S. foreign assistance.

- To ensure sustainability, development must be owned by the people of the countries receiving foreign assistance. Development plans must be made in consultation with recipient country governments and civil society; and foreign assistance resources should be allocated with the flexibility to meet the complex and changing needs in each country.

- To achieve maximum effectiveness, U.S. foreign assistance should seek to complement and leverage private sector and philanthropic partners and resources.

- Reform efforts should be driven by goals of increased impact and efficiency, rather than simply cost cutting. Any reforms should be thoughtfully developed and implemented, ensuring that the proper amount of time has been taken to do them right. Doing otherwise could do more harm than good to the U.S.’s ability to combat global poverty and promote international stability.
Ten Recommendations to Make U.S. Foreign Assistance More Efficient and Effective:

Section One: Organizational independence of USAID to achieve impact and ensure sustainability

1. USAID should maintain role as the lead U.S. development agency:

Strengthen USAID as the United States’ lead aid agency to improve U.S. global development and humanitarian response efforts. “USAID’s ability to generate billions in parallel investments from other donors… [is] by virtue of its recognized leadership and independence.” To better support long-lasting economic growth and development, strengthen USAID’s budget, development policy and planning, field-based analysis, and attraction and retention of high quality development professionals. Work towards the consolidation of assistance into a lead agency to reduce redundancies and inefficiencies, achieve clear lines of authority, and establish mission alignment.

- Elevate USAID’s Administrator to cabinet rank to reflect the importance of development to U.S. foreign policy and to enable the Agency to more effectively partner with U.S. diplomatic and military actors, as well as other agencies conducting development. One individual in the U.S. government must be accountable for achieving our U.S. foreign assistance outcomes around the world.

- Provide USAID with enhanced capacity and authorities to carry out its mission including: full budget authority reporting directly to OMB and the ability to oversee and coordinate all U.S. development and humanitarian programs across agencies.

- Integrate MCC and PEPFAR into USAID over time to improve coordination under USAID’s leadership. This would enable better alignment of global health and development funding streams for increased impact at the country level. Currently, there are more than 20 agencies and offices involved in foreign aid.

Section Two: Strategic coherence of U.S. foreign assistance through review of organizational structures and consolidation of functions

2. Articulate coherent development strategies at the global and country levels:

Foreign assistance should help create the conditions under which it is no longer necessary; foreign assistance must be guided by coherent, principle-based strategies developed in partnership with key stakeholders.

- Produce a U.S. Global Development Strategy with Congress that would form one of the three pillars of a National Security Strategy (along with defense and diplomacy) and promote alignment of the agencies delivering assistance at the global level and the development functions at the country level.

- Use the 5-year Country Development and Cooperation Strategies (CDCS) to drive U.S. budget allocations within a country. CDCS’s should align with the country’s own priorities to better ensure the sustainability of development gains and our long term national interest. The CDCS should also integrate PEPFAR and MCC programs, where appropriate.

- Reduce earmarks and presidential initiatives so that resources are directed to areas that countries have identified as critical for stability and inclusive economic growth in order to become less reliant on U.S. assistance over time.
• Building local capacity and institutions takes time. The administration and Congress should work together to review program time frames and priorities in the context of what the U.S. government needs to do to support local capacity development.

3. Clarify roles, consolidate functions, and maximize efficiency and impact.

Engage with multiple stakeholders – including U.S. Congress and U.S. civil society – to assess a variety of potential designs for how currently overlapping functions between State, USAID and other agencies could be streamlined.

• Return budget oversight of development programs to USAID. This would improve budget transparency and consolidate budgeting authority and accountability for development assistance under the agency that leads U.S. development.

• Right-size the F Bureau at State Department to coordinate only those foreign aid programs that are managed and implemented by the State Department (primarily security assistance).

• Strengthen the Policy, Planning and Learning function at USAID, which has demonstrated critical contributions to development programming and to the U.S. inter-agency through leadership on Financing for Development, the New Deal on Fragile States, the World Humanitarian Forum, the Sustainable Development Goals, and other key global moments and platforms reflecting U.S. leadership in the world.

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• Retain democracy, rights, and governance capacities in USAID given the importance of governance towards improvements in development impact and sustainability of progress. A strong governance focus should be integrated into other sectoral programmatic work as feasible.

• Create a development finance corporation to consolidate the development programs of U.S. Trade and Development Agency (USTDA), USAID’s Development Credit Authority (DCA), and the Overseas Private Investment Corporation (OPIC) and possibly enterprise funds managed by USAID.

• Create an integrated private sector development office that consolidates currently disparate pieces of private sector engagement, partnership, and funding to be managed as one (e.g., Private Capital and Microenterprise Group, Center for Transformation Partnerships within the Lab) while linking closely with the pillar bureau private sector teams.

• Maximize the efficiency of U.S. food aid, such as by expanding flexibility to procure commodities locally, regionally, or from the United States; by enabling the use of cash vouchers where most effective; and by using the most efficient mode of shipment.

• Reform existing administrative policies and practices that slow the delivery of assistance. Engage with implementing partners and Congress to minimize administrative burdens and regulations that delay effective program implementation.

• Prioritize country-level funding and use global programs to promote impact and efficiency (e.g., to share learning, enable rapid response, and reduce management costs when multiple countries require smaller scale, targeted programs).
Section Three: Increasing the Sustainability of U.S. Foreign Assistance

4. Deepen capacities to increase and measure country ownership:

To ensure sustainability of programs and promote country transition from foreign assistance, the U.S. government should foster greater country ownership in every program from the beginning. USAID has put focused attention on increasing ownership throughout the program cycle. This best practice should be built upon within the Agency and mainstreamed across all U.S. foreign assistance.

- Enable USAID to build capacities to co-design programs with country partners, including the government, civil society and the local private sector.

- Seek opportunities to strengthen local institutions by channeling aid through local partners where possible and by engaging local stakeholders throughout both program design and implementation and evaluation of development outcomes.

- Simplify USAID’s administrative and procurement systems to lower the barrier of entry for government, local and international NGOs, international development firms, and private sector companies. Additionally, improve USAID’s use of procurement mechanisms in working with its implementing partners.

- Require all agencies delivering U.S. assistance to track and report on country ownership and sustainability through a set of robust metrics and ex-post evaluations.

5. Build on diverse partnerships to leverage U.S. foreign assistance.

To adapt to the changing nature of the countries where USAID operates and to address the relatively decreasing influence of ODA - while recognizing its critical role in achieving the SDGs - USAID should expand its modalities of engagement with the public and private sectors.

- Increase investments in Domestic Resource Mobilization – particularly at USAID, MCC, and the Department of Treasury – to leverage U.S. dollars in ways that reduce countries’ dependence on U.S. foreign assistance and empower governments and citizens to lead their own development.

- Expand partnerships and leverage skills, knowledge, and resources from local and U.S. NGOs, universities, and think tanks, including secondments and fellowship programs. Private, for and non-profit, and voluntary organizations manage over $15 billion in international development programs and should be seen as partners as well as implementers.

- Strengthen linkages with the U.S. private sector to boost jobs, economic growth, and development impact in the U.S. and in partnering countries. As an example, Power Africa created 14.5 billion in revenue for the U.S. economy.

- Systematically review the effectiveness of U.S. public-private partnerships to determine how to increase their development impact.
6. Establish sound principles and criteria for country transition or “graduation.”

Our objective should be on sustaining a connection with the country through resources (aid or trade) and relationship (diplomacy).

- Include transition criteria such as country rule of law and transparency, civil society space, and media freedom to exercise accountability over government.

- Ensure robust U.S. foreign policy tools exist following graduation from foreign assistance to help improve the lives of the vast numbers of people still living in poverty and to address deep inequalities, particularly in some Middle Income Countries.

- Facilitate U.S. engagement by a development attaché or by other means once a country has phased out major development programs.

Section Four: Meeting the distinct needs of the State Department and USAID in human resources and IT systems

7. Bolster USAID human resources:

Ensure hiring and retention practices reflect those of a premier, 21st century development agency.

- Maintain the Career Candidate Corps (C3 Program) and implement the recommendations of the 2015 Stress and Resilience report.

- Better tap the NGO and U.S. private sector when hiring Foreign Service Officers, especially when hiring for positions tasked with building public-private partnerships.

- Build on USAID best practices of hiring Foreign Service Nationals (FSN). This practice also enables better ownership and sustainability of development outcomes. The FSN Advocacy Council, which consists of American and Foreign Service Nationals, should develop annual action plans that help to ensure that U.S. tax payer dollars are invested in ways that achieve positive results.

- Learn from the private sector and create an “executive track” for junior Foreign Service officers at State Department and USAID to expose future leaders to the management requirements at the top of the agencies.

8. Continue to upgrade USAID IT in order to break down barriers between Missions and HQ and increase efficiencies

The Agency has rightly devoted greater attention to its operating infrastructure, but more needs to be done.

- Scale-up USAID investments in IT and apply lessons to other U.S. agencies. Some USAID online IT platforms have allowed missions and headquarters to co-design and monitor programs, and enabled the engagement of remote and indigenous groups throughout a project.
• Implement the lessons of the International Technology Transformation Initiative (ITTI) which concluded that USAID’s IT systems are stronger than that of the State Department. USAID’s use of an internet-based platform has saved resources and increased efficiencies.

Section Five: Enhancing transparency and the use of data and evidence-based decision making

9. Increase data and evidence for better learning:

Increase the collection and usage of data - including nontraditional sources such as citizen-generated data - to strengthen evidence base and learning culture throughout the M&E cycle and by improving monitoring, evaluation and learning.

• Evaluate the current data strategy to ensure it is right-sized to the costs and benefits, specifically the infrastructure required to make it effective.

• Leverage USAID’s learning by transferring the lessons, experience, and functions of the Global Development Lab to other U.S. government agencies.

• Double down on efforts and investments in data disaggregation in order to measure progress of vulnerable groups such as girls, refugees, and indigenous groups.

• Establish a Data Analytics Unit in USAID that would allow for data sharing between USAID, PEPFAR, DOD, MCC, U.S. Treasury and State Department. This would leverage USAID’s quality IT system and qualified number of data analysts.

• Facilitate data collection and use so local partners can hold their governments and donors accountable and incorporate local participation as part of the evaluation process.

10. Enhance transparency and accountability of development functions:

Ensure global reporting of U.S. development activities and strengthen transparent processes for using data in monitoring and evaluating programs.

• Ensure all U.S. agencies implementing development activities meet existing requirements to report high quality and timely data to ForeignAssistance.gov and the International Accountability and Transparency Initiative (IATI) to enable better review of aid flows.

• Expand the requirements for transparency and evaluation in the “Foreign Aid Transparency and Accountability Act” across all U.S. foreign assistance, including security programs.

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i “The Folly of Merging State Department and USAID: Lessons from USIA,” Shannon Green and Daniel Runde, Center for Strategic and International Studies, May 2017

ii InterAction Impact Statement 2017