



# Foreign Aid Reform: Agency Coordination

**Marian Leonardo Lawson**

Analyst in Foreign Assistance

**Susan B. Epstein**

Specialist in Foreign Policy

August 7, 2009

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

R40756

**CRS Report for Congress**

*Prepared for Members and Committees of Congress*

## Summary

In the decades since the Foreign Assistance Act of 1961 became law, Congress, various Administrations, and a number of Commissions, have reviewed U.S. foreign aid programs and proposed ways to improve the coordination and effectiveness of U.S. foreign assistance by consolidating or otherwise restructuring various agencies. Two recent trends in foreign assistance have renewed interest in this issue. First, foreign assistance funding has expanded considerably since the terrorist attacks of September 11, 2001, from just over \$15 billion in FY2001 to more than \$45 billion in FY2007, including supplemental appropriations. Second, there has been an increase during this same time period in the number of agencies implementing foreign assistance.

U.S. foreign assistance has long been carried out by multiple U.S. government agencies, including the State Department (State), the U.S. Agency for International Development (USAID), the Department of Defense (DOD) and many others, to a lesser extent. In 2007, 24 U.S. government agencies reported disbursing foreign assistance resources. With so many entities administering foreign aid, often with different objectives, many aid experts have questioned whether these agencies are working at cross-purposes. Where agencies have similar objectives, there is concern that they may be duplicating each others' efforts. There is no overarching mechanism in place for coordinating or evaluating this broad range of activities. There are, however, several less-comprehensive systems of coordination in place among various departments and agencies, using means as varied as National Security Council policy coordination committees, new information-sharing technology systems, and inter-agency staff exchanges.

There is little consensus among policy makers and aid experts about how best to improve coordination, or even the need for more formal coordination. Some argue that the multiple funding accounts and implementing agencies appropriately reflect the wide range of competencies that development programs require, as well as diverse U.S. foreign assistance objectives. Others say the lack of centralized coordination authority impedes U.S. foreign aid transparency, efficiency, and effectiveness. Still others argue that there has been insufficient evaluation of foreign assistance programs to know whether coordination is needed to improve program efficiency and effectiveness. Proposals aimed largely or in part at addressing these concerns include developing a national foreign assistance strategy, authorizing a new or existing agency to coordinate all foreign assistance programs, coordinating through the National Security Council, enhancing the ability of U.S. missions abroad to coordinate aid activities at the country level, separating strategic aid programs from development assistance programs, and enhancing monitoring and reporting activities.

In the 111<sup>th</sup> Congress, foreign assistance reform proposals incorporating aid coordination provisions have been introduced by leaders of both the House Foreign Affairs and Senate Foreign Relations Committees. On the House side, H.R. 2410, the Foreign Relations Authorization Act for Fiscal Years 2010 and 2011, and H.R. 2139, the Initiating Foreign Assistance Reform Act of 2009, both include provisions to improve inter-agency coordination of foreign assistance. On the Senate side, coordination provisions are included in S. 1524, the Foreign Assistance Revitalization and Accountability Act of 2009.

This report may be updated to reflect congressional action.

## Contents

Introduction .....	1
Recent Trends in Foreign Assistance .....	2
U.S. Aid-Related Activities, by Agency .....	6
USAID .....	7
Department of State .....	7
Department of Defense .....	8
Department of Health and Human Services .....	8
Department of Agriculture.....	8
Department of the Treasury .....	9
Millennium Challenge Corporation .....	9
Peace Corps .....	9
Other Departments and Agencies.....	9
Existing Coordination Mechanisms .....	10
National Security Council .....	10
Director of Foreign Assistance and the F Process.....	11
FACTS /FACTS Info.....	12
Country Assistance Strategies.....	12
SEED and FSA Coordinators .....	13
Office of the Global AIDS Coordinator .....	14
Coordinator for Reconstruction and Stabilization (S/CRS).....	14
State/USAID Coordination with the Department of Defense.....	15
Aid Coordination in Other Countries .....	15
Selected Coordination Options .....	17
Enhance Coordination as Part of a National Foreign Assistance Strategy .....	18
Empower One Entity to Coordinate All U.S. Foreign Aid .....	18
Build on White House/NSC Structures with Department/Agency Representatives .....	19
Separate Strategic Assistance from Development Assistance .....	19
Enhance Coordination and Authority at the Country Level .....	20
Require Whole of Government Reporting.....	20
Require Inspector General Reports on All Aid Activities.....	20
Legislative Activity .....	21

## Figures

Figure 1. Total Foreign Assistance Disbursements by Select Agencies, FY2001 and FY2007.....	5
Figure 2. Comparing Total FY2001 Disbursements to FY2007 Disbursements, Excluding Iraq and Afghanistan .....	5
Figure 3. Economic Assistance Disbursements by Agency, FY2001-FY2007 .....	6

## **Tables**

Table 1. Disbursement of U.S. Foreign Assistance by Select Agencies, FY2001-FY2007..... 3

## **Appendixes**

Appendix A. Foreign Assistance Disbursements by Agency, FY2001-FY2007..... 23

Appendix B. Overlapping Agency Foreign Assistance Activities ..... 24

## **Contacts**

Author Contact Information ..... 25

## Introduction

U.S. foreign assistance is carried out by the State Department, the U.S. Agency for International Development (USAID), the Department of Defense (DOD) and several other federal government agencies. Presidential initiatives, such as the Leadership and Investment in Fighting an Epidemic (LIFE) Initiative in the Clinton Administration and the Millennium Challenge Corporation (MCC) and President's Emergency Plan for AIDS Relief (PEPFAR) in the Bush Administration, have expanded foreign assistance outside the traditional foreign aid agencies. Additionally, the Department of Defense has participated in an expanding amount of aid activities, both military and non-military, since the wars in Iraq and Afghanistan began. In 2007 (the most recent year for which complete data are available), about 60% of U.S. foreign assistance was disbursed by the Department of Defense, 23% by USAID, and 7% by the Department of State (see **Table 1**, below). More than 20 other U.S. government agencies are responsible for the remaining 10% of foreign aid spending.

There is no overarching mechanism in place to coordinate or evaluate the broad range of foreign assistance activities. Nor is there consensus about the need for better coordination, though congressional interest in the issue appears to be increasing.<sup>1</sup> Provisions addressing agency coordination and structure are included in key foreign assistance reform proposals pending before the 111<sup>th</sup> Congress, including H.R. 2410, the Foreign Relations Authorization Act for Fiscal Years 2010 and 2011; H.R. 2139, the Initiating Foreign Assistance Reform Act of 2009; and S. 1524, the Foreign Assistance Revitalization and Accountability Act of 2009. Furthermore, Secretary of State Hillary Clinton testified at her confirmation hearing that her goal in regard to foreign assistance reform would be to “maximize coordination, minimize redundancy and make the case for increased resources.”<sup>2</sup>

This report discusses the many agencies involved with U.S. foreign assistance, the mechanisms currently in place to coordinate foreign aid programs, particularly those related to development assistance, and agency coordination issues that Congress may consider as part of foreign assistance reform.

---

<sup>1</sup> House Foreign Affairs Committee Chairman Howard Berman said he intends in 2009 to overhaul the Foreign Assistance Act of 1961, which is the basis for the current foreign aid structure (speech before the Modernizing Foreign Assistance Network, June 10, 2008); Senate Foreign Relations Committee Chairman John Kerry, in a May 21, 2009 speech at the Brookings Institution, said that he intends to introduce both a Foreign Affairs Authorization bill and a foreign aid reform bill in the 111<sup>th</sup> Congress.

<sup>2</sup> Statement of Secretary of State Hillary Clinton at her confirmation hearing before the Senate Foreign Affairs Committee, January 13, 2009, as reported by CQ.com.

### A Note About Defining Foreign Aid

Some disparities in foreign aid statistics are caused by the various ways that foreign aid is commonly defined.

The Foreign Assistance Act of 1961 (FAA), Section 634, defines foreign assistance as “any tangible or intangible item provided by the United States Government to a foreign country or international organization under this or any other Act, including but not limited to any training, service, or technical advice, any item of real, personal or mixed property, and agricultural commodity” and clarifies that this “includes, but is not limited to, foreign assistance provided by means of gift, loan, sale, credit, or guarantee.” This definition is used by USAID in preparing the “Greenbook,” the database of annual U.S. foreign assistance obligations. This definition also aligns closely, though not exactly, with the “foreign operations” activities funded through annual State-Foreign Operations Appropriations legislation. Many aid experts, however, feel that this definition is misleading because it includes funding for things such as the Export-Import Bank, the Overseas Private Investment Corporation, and certain agricultural commodity programs that are primarily intended to benefit U.S. commercial interests.

Another common and much narrower definition used by the Organization for Economic Cooperation and Development (OECD) to track Official Development Assistance (ODA) is “Grants or loans to developing countries which are undertaken by the official sector with promotion of economic development and welfare as the main objective and at concessional financial terms (having a grant element of at least 25 per cent). In addition to financial flows, technical co-operation is included in aid. Grants, loans and credits for military purposes are excluded.” The U.S. and most other donor countries use this definition when reporting annual aid activities to the OECD. However, critics of this definition claim that, by excluding military assistance in particular, ODA greatly under-represents U.S. foreign assistance activities. ODA also excludes aid to developed countries, such as Russia, Israel, and Ireland.

The period and stage of reporting may also shape assistance statistics. For example, ODA is reported by calendar year (starting January 1) while the Greenbook figures are reported by fiscal year (starting October 1). Similarly, many sources report aid data based on the level *appropriated*, which may vary considerably from Greenbook data, which reports aid when it is *obligated*, and ODA, which focuses on the point of *disbursement*.

For this report, CRS uses data from the USAID Foreign Assistance Database based on the FAA definition of foreign assistance and disbursements by fiscal year, unless otherwise noted. Readers are advised that both aid levels and the agencies involved in aid activities would be different if based on ODA or other definitions of foreign aid.

## Recent Trends in Foreign Assistance

The Foreign Assistance Act of 1961 (FAA), as amended, authorized the consolidation of most foreign assistance programs under a new agency that would become the U.S. Agency for International Development (USAID). It also called for the use of domestic agency expertise in foreign aid, stating that “in such fields as education, health, housing, or agriculture, the facilities and resources of other Federal agencies shall be utilized when such facilities are particularly or uniquely suitable for technical assistance, are not competitive with private enterprise, and can be made available without interfering unduly with domestic programs.”<sup>3</sup> The need for coordination of these activities was recognized by the FAA’s drafters, who included a provision tasking the Department of State’s Chief of Mission in each country with coordinating these functions among representatives of the United States Government.<sup>4</sup>

The FAA states that “[n]othing in this Act shall infringe upon the powers or functions of the Secretary of State”<sup>5</sup> and specifies that the Secretary of State “shall be responsible for the continuous supervision and general direction of economic assistance, military assistance, and

<sup>3</sup> Foreign Assistance Act of 1961, Sec. 621, 22 U.S.C. 2381.

<sup>4</sup> Foreign Assistance Act of 1961, Sec. 622(b).

<sup>5</sup> Foreign Assistance Act of 1961, Sec. 622(a), 22 U.S.C. 2382.

military education and training programs....”<sup>6</sup> Intervening decades, however, have given rise to a range of foreign aid programs and activities that fall outside the scope of State Department/USAID authority. The Millennium Challenge Corporation and the Peace Corps are both independent aid agencies, and many other federal agencies primarily focused on domestic issues provide foreign assistance as well. Some examples include the Department of Agriculture’s (USDA) technical assistance overseas on food safety and inspection; the Department of the Interior’s Fish and Wildlife Service multinational species conservation assistance; and the Department of Health and Human Services’ Center for Disease Control’s (CDC) activities to fight HIV/AIDS, influenza, tuberculosis, and malaria around the world.

**Table 1. Disbursement of U.S. Foreign Assistance by Select Agencies, FY2001-FY2007**  
(in thousands of current US\$)

U.S. Agencies	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
<b>USAID</b>	7,326,658	9,315,556	10,375,275	10,855,438	11,558,449	11,794,281	10,685,760
<b>State Dept</b>	1,666,290	2,957,187	2,697,370	2,881,177	3,746,360	2,762,906	3,362,449
<b>Defense Dept</b>	4,528,354	4,931,714	7,459,848	7,632,186	12,586,150	20,403,801	27,371,694
<b>Treasury Dept</b>	1,146,455	1,203,693	452,327	2,692,431	1,248,320	1,121,356	1,458,753
<b>Agriculture Dept</b>	118,799	146,673	654,535	579,866	297,159	403,884	232,362
<b>Dept of HHS</b>	96,253	396,311	604,852	957,330	1,775,694	1,397,561	616,298
<b>Peace Corps</b>	269,875	273,665	294,885	308,856	309,735	287,535	255,504
<b>Energy Dept</b>	—	—	298,959	400,820	783,434	648,843	1,180,623
<b>MCC</b>	—	—	—	4,283	47,418	96,148	220,859
<b>Other</b>	220,715	395,728	442,026	427,344	458,165	440,056	441,722
<b>Total</b>	<b>15,373,399</b>	<b>19,620,527</b>	<b>23,280,077</b>	<b>26,739,730</b>	<b>32,810,885</b>	<b>39,356,370</b>	<b>45,826,024</b>

**Source:** USAID Foreign Assistance Database, May 19, 2009.

**Note:** Disbursement of funds often takes place a year or more after such funds are appropriated. For example, the sharp increases in DOD disbursements reported for FY2005-FY2007 reflect large appropriations for the Iraq Relief and Reconstruction Fund in FY2004 and, subsequently, for the Iraq Security Forces Fund (ISFF). “Other” includes all the other agencies reporting foreign assistance disbursement. For a complete list of agencies for FY2007, see **Appendix A**.

Two key trends in foreign assistance in recent years have drawn attention to and renewed concerns about the fragmentation of aid and the possible need for better coordination. First, total U.S. foreign assistance spending across appropriations bills has grown considerably in current dollars since the September 11, 2001 terrorist attacks, from just over \$15 billion in FY2001 to more than \$45 billion in FY2007, including supplementals (**Table 1**). Second, it appears that the

<sup>6</sup> Foreign Assistance Act of 1961, Sec. 622(c).

number of federal agencies playing a role in foreign assistance is growing. While some experts note that aid has always been fragmented, with domestic agencies moving in and out of the foreign assistance arena from year to year as the need for their expertise arises in the course of U.S. foreign relations and world events,<sup>7</sup> there does appear to be an increase in agencies reporting aid expenditures over the last decade.<sup>8</sup> For a complete list of foreign assistance disbursements reported by U.S. government agencies from FY2001 to FY2007, see **Appendix A**.

Disbursement levels for almost all the primary agencies implementing foreign assistance rose, though sometimes erratically, between FY2001 and FY2007 (**Table 1**). Growth rates between agencies varied considerably, however, reflecting shifts in aid composition. DOD aid disbursement levels increased more than 500% during this time, to more than \$27 billion, with much of this growth reflecting military assistance to Iraq and Afghanistan, as well as humanitarian disaster assistance in response to the December 2004 tsunami. The Department of Health and Human Services (HHS) also took on a larger role in foreign assistance, largely due to PEPFAR and responses to outbreaks of avian influenza, extremely drug resistant tuberculosis, and severe acute respiratory syndrome (SARS). HHS disbursement levels rose from \$96 million to \$1.77 billion (a 1,744% increase) between FY2001 and FY2005, and while they have declined from their FY2005 peak, the FY2007 level of \$616 million is still a 540% increase over the FY2001 level. In contrast, State and USAID disbursement rates have increased since FY2001 at a slower rate than total foreign assistance (102% and 46%, respectively) with FY2007 disbursements of \$3.4 billion and \$10.7 billion, respectively. The Peace Corps was the exception to the growth, with FY2007 disbursement levels falling below the FY2001 level after several years of small increases.

In FY2001, nearly half of U.S. foreign assistance was disbursed by USAID (48%), while the Department of Defense (DOD) disbursed 29%, the Department of State (DOS) disbursed 11%, the Treasury disbursed 7% and the remaining 5% was spread among several other agencies. In FY2007, the portion of U.S. foreign assistance disbursed by USAID dropped to 23% and the DOS portion shrunk to 7%, while the DOD's portion doubled to 60%. Treasury disbursements fell to 3% and the share disbursed by all other agencies increased to 7%.

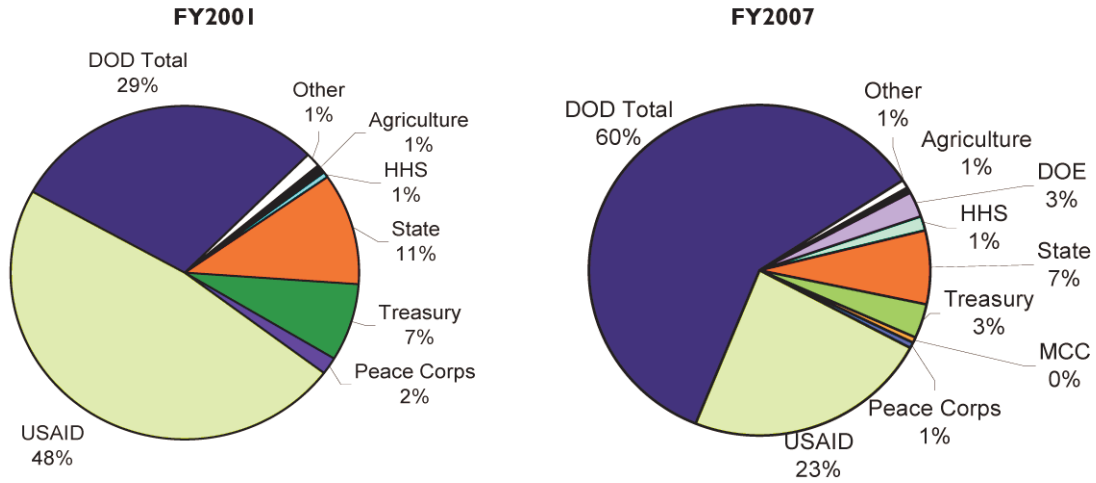
---

<sup>7</sup> For a historic perspective on foreign aid coordination, see "Issues and Options in the Coordination of U.S. Foreign Aid Policy," Committee Print prepared for the Committee on Foreign Affairs, U.S. House of Representatives, by the Congressional Research Service, May 1979 (GPO 44-401). The report discusses fragmentation and proposals for centralization that are similar to those often discussed today.

<sup>8</sup> According to the contractor that manages the U.S. Foreign Assistance Database, discrepancies in data collection methods and reporting practices make data prior to 2001 less complete and reliable than post-2001 data, so changes in agency numbers from year-to-year could reflect inconsistent reporting. Still, in FY2007, 24 departments and agencies reported disbursing foreign assistance, compared with 16 in FY2001. New agencies, such as the Department of Homeland Security (DHS) and the Millennium Challenge Corporation (MCC), account for some of this expansion. The rest is from long-standing domestic agencies that are newly or sporadically involved in international activities. Reports on foreign aid reform that cite much larger numbers of U.S. government entities involved in foreign aid generally count cabinet departments as well as all the relevant agencies and offices within those departments.



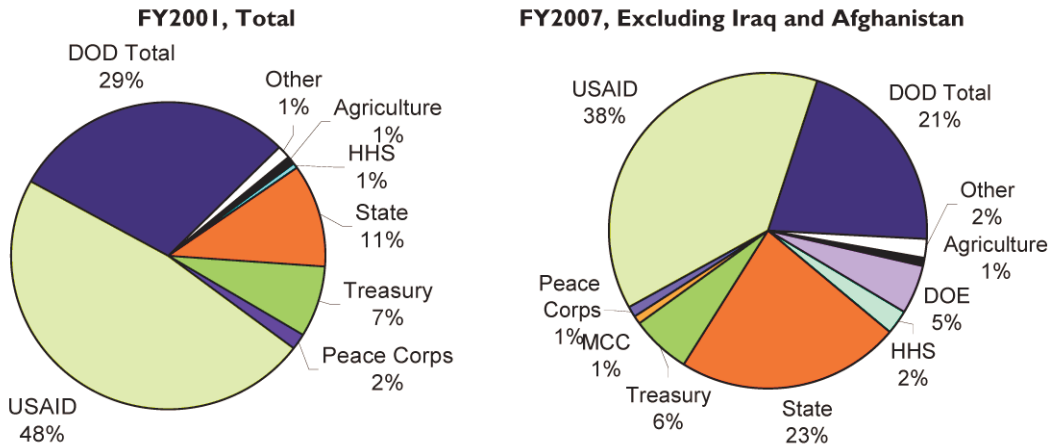
**Figure 1. Total Foreign Assistance Disbursements by Select Agencies, FY2001 and FY2007**



Source: USAID Foreign Assistance Database, May 19, 2009; CRS calculations.

The increasing portion of assistance disbursed by U.S. military entities since FY2002 can be largely attributed to dramatic increases in military and reconstruction assistance associated with the wars in Iraq and Afghanistan, and appears to be on the decline. The impact of these wars on foreign assistance levels is demonstrated by **Figure 2**, which compares the same FY2001 agency disbursement chart in **Figure 1** with a chart showing FY2007 disbursements *without* aid to Iraq and Afghanistan. Excluding funding to these two countries more than doubles the share of aid disbursed by State, from 11% to 25%, and gives DOD the third largest share, after USAID and State. Furthermore, it is important to note that much of the funding disbursed by DOD is military assistance, for which State plays a key role in allocation.

**Figure 2. Comparing Total FY2001 Disbursements to FY2007 Disbursements, Excluding Iraq and Afghanistan**

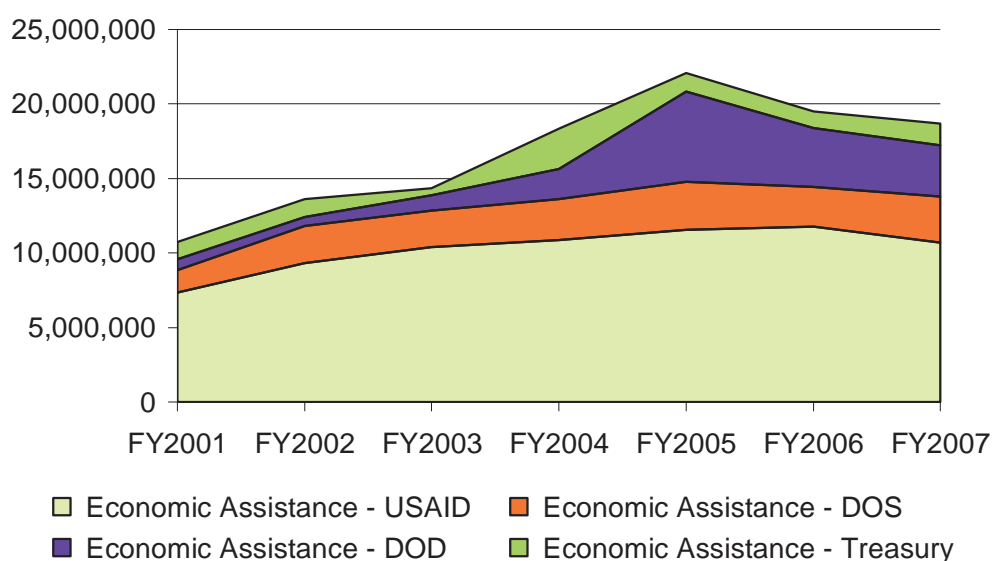


Source: USAID Foreign Assistance Database, May 19, 2009; CRS calculations.

While the trend towards greater DOD involvement in foreign assistance has raised widespread concerns, **Figure 2** demonstrates that outside of spending in Iraq and Afghanistan, DOD's share of foreign aid disbursement in FY2007 (21%) was actually less than it was in FY2001(29%). Nevertheless, the 369% increase in DOD non-military assistance disbursements between FY2001 and FY2007 makes DOD a much bigger player in the development assistance field (DOD disbursed nearly 16% of total U.S. economic assistance in FY2007, compared to 6.4% in FY2001)(**Figure 3**). As Iraq Relief & Reconstruction Funds are no longer available, however, and the Iraq Security Forces Fund declining, DOD's portion of foreign assistance disbursements can be expected to decrease in FY2008 and FY2009.

**Figure 3. Economic Assistance Disbursements by Agency, FY2001-FY2007**

(in thousands of current U.S. \$)



**Source:** USAID Foreign Assistance Database, May 19, 2009; CRS calculations.

## U.S. Aid-Related Activities, by Agency

With so many entities administering foreign aid, often with different objectives, many aid experts have questioned whether these agencies are sometimes working at cross-purposes. Where agencies have similar objectives, there is concern that they may be duplicating each others' efforts. A 2009 report on Afghanistan, for example, described how 15 U.S. agencies were working in the Afghan energy sector, each with its own vision, objectives, and procurement strategies.<sup>9</sup>

Critics assert that the decentralized U.S. aid structure is inefficient and confusing, particularly for implementing partners and recipient countries. Each agency has its own unique rules and procedures that recipient countries must follow, creating a significant administrative burden on countries trying to comply with the requirements not only of multiple U.S. agencies, but often of

<sup>9</sup> *Smart Development in Practice, Field report from Afghanistan*, Field Report, Oxfam, 2009, p. 7.

multiple donor countries. In Mozambique, for example, a Ministry of Planning and Development staff member explained that “[d]ifferent U.S. agencies have different rules which create problems and add to confusion. The problem of multiplicity occurs even within single sectors. PEPFAR, just one of three big U.S. presidential initiatives in Mozambique, is itself implemented by five U.S. agencies: the CDC, USAID, the Defense Department, the State Department, and the Peace Corps. Insiders recognize the faulty communication while outsiders don’t know whom to consult.”<sup>10</sup>

On the other hand, many observers believe that foreign aid programs operate most effectively when administered by agencies and staff with expertise related to the type of foreign assistance provided. The diversity of U.S. foreign assistance leads some to question whether overarching coordination is necessary, or even desirable—why, for example, should programs to train law enforcement officers be coordinated with programs to support endangered species research? To centralize authority over these activities, some argue, would take authority away from those who best understand them. Some experts maintain that aid effectiveness has not yet been sufficiently studied to determine whether administering aid through multiple domestic agencies with sector-specific expertise is more or less effective than through a consolidated aid agency. Following is a discussion of the general types of foreign assistance that each agency provides, as well as how they relate to each other. For more information about specific foreign assistance programs and accounts, see CRS Report R40213, *Foreign Aid: An Introduction to U.S. Programs and Policy*, by Curt Tarnoff and Marian Leonardo Lawson.

## **USAID**

USAID is the primary agency tasked with implementing long-term development assistance programs intended to create sustainable economic development and improve government and non-governmental capacity to meet the basic needs of their population. USAID administers most child health and survival programs, basic education and literacy programs, and micro-enterprise programs, as well as democracy promotion and post-conflict stabilization activities. The agency plays a leading role in disaster relief and recovery operations, together with State and DOD, and often implements programs that are funded or directed through other agencies, such as HIV/AIDS programs using funds appropriated to the State Department and P.L. 480 food assistance appropriated through the Agriculture Appropriations bill. USAID also implements a large portion of strategic economic assistance, such as the Economic Support Fund, while the State Department maintains policy control, deciding the funding levels for various countries. Strategic economic assistance is often used for development projects, but motivated more by foreign policy objectives than by development objectives.

## **Department of State**

The Department of State’s foreign assistance activities focus on refugee assistance, democracy promotion, post-conflict stabilization and reconstruction, international narcotics control and law enforcement, voluntary contributions to multilateral aid organizations, and supporting U.S. foreign policy objectives through economic assistance to strategic allies. The State Department has policy control over programs that are largely or entirely implemented by other agencies. As noted earlier, State allocates strategic economic assistance, which is primarily implemented by

---

<sup>10</sup> *Smart Development in Practice, Field report from Mozambique*, Field Report, Oxfam, 2009, p. 6.

USAID, and State allocates military assistance implemented by the Department of Defense. State's policy authority is intended to ensure that foreign assistance programs are aligned with U.S. foreign policy priorities while utilizing the technical and operational resources of other agencies for implementation. As a result, the State Department has some authority over much of the foreign assistance funding disbursed by other agencies, but the coordination implications of this authority are hard to measure.

## **Department of Defense**

The DOD provides foreign assistance largely through the security assistance accounts, which provide money for weapons and equipment purchases, training for foreign security forces, and support for international peacekeeping operations. Though State allocates funds for these programs and plays a role in selecting recipients, in consultation with DOD, the weapons and training programs are implemented by DOD's Defense Security Cooperation Agency. DOD also provides humanitarian and economic assistance, including health care, reconstruction, food aid, counterdrug activities and other forms of aid, generally in conjunction with military operations, as a means of establishing local support or meeting humanitarian needs in the event that the military is the first responder in a crisis situation. In addition, using funds appropriated through the Iraq Reconstruction and Rehabilitation Fund (IRRF) in FY2004, and subsequent security assistance accounts for Iraq and Afghanistan, the U.S. military has provided a wide range of assistance in these countries, from building schools to improving water sanitation. This type of DOD assistance activity, however, can be expected to decline now that IRRF funds are spent and security assistance funds for Iraq and Afghanistan are in decline. For a more detailed look at DOD foreign assistance activities, see CRS Report RL34639, *The Department of Defense Role in Foreign Assistance: Background, Major Issues, and Options for Congress*, coordinated by Nina M. Serafino.

## **Department of Health and Human Services**

The Department of Health and Human Services (HHS) provides international assistance related to disease control, global health, and research and training through the Centers for Disease Control and National Institutes of Health, as well as refugee assistance. The portion of foreign assistance disbursed by HHS has expanded significantly in recent years with implementation of PEPFAR, programs to eradicate tuberculosis and malaria, and activities aimed at responding to and containing disease outbreaks, such as severe acute respiratory syndrome (SARS), avian influenza, and extremely drug-resistant tuberculosis. HHS not only implements PEPFAR programs funded through State, together with USAID, but also funds some PEPFAR and other international health activities through the Departments' own appropriations. HHS also implements global health research and surveillance programs using its own appropriated funds.

## **Department of Agriculture**

The Department of Agriculture funds emergency and development food aid programs, which USAID administers. This includes commodities donated for overseas school food programs (the P.L. 480 Food for Peace program) and maternal, child and infant nutrition programs through the Dole-McGovern Food for Education Act. Additionally, USDA provides food safety and inspection assistance to foreign governments. For more information on food assistance, see CRS Report RL33553, *Agricultural Export and Food Aid Programs*, by Charles E. Hanrahan.

## **Department of the Treasury**

Treasury is the lead agency on U.S. contributions to multilateral development organizations, such as the World Bank, International Monetary Fund, and regional development banks. These contributions are policy driven and voluntary, in contrast with the assessed contributions to international organizations paid for through the State Department. The programs and projects funded by these contributions, together with those of other donor nations, focus on long-term development, much like USAID and MCC activities. Treasury also provides technical assistance to developing countries on the implementation of major economic reforms and debt relief.

## **Millennium Challenge Corporation**

The Millennium Challenge Corporation (MCC), a Bush Administration initiative established in 2004, is designed to provide targeted aid to promote economic growth and poverty alleviation in select countries that have demonstrated good governance and a capacity to use aid effectively. The projects MCC supports are similar to the type of development activities that USAID supports, though MCC tends to focus more on infrastructure improvements. MCC and USAID implementation processes and objectives, however, are quite different. MCC funds large grants, called compacts, based on partner government performance indicators related to ruling justly, investing in people and fostering economic freedom. Host governments play the lead role in designing and implementing the compact agreement, with MCC support, to ensure that projects are aligned with host country priorities. USAID programs, in contrast, are generally implemented by U.S. contractors, sometimes with little direct host government participation. However, USAID implements MCC's "threshold" program for countries that do not yet qualify for compacts. For more on the MCC, see CRS Report RL32427, *Millennium Challenge Corporation*, by Curt Tarnoff.

## **Peace Corps**

The Peace Corps, established in 1961, sends American volunteers into developing countries for a wide range of community-based projects. Peace Corps volunteers promote education and economic development, improve access to health care, restore the environment, and increase agricultural productivity. While Peace Corps projects often have much in common with USAID development projects, and are occasionally supported by USAID grants, the Peace Corps has unique objectives related to promoting cross-cultural understanding and goodwill through personal contact with volunteers. For more on the Peace Corps, see CRS Report RS21168, *The Peace Corps: Current Issues*, by Curt Tarnoff.

## **Other Departments and Agencies**

Many other federal departments and agencies disburse funds for or administer some foreign assistance activities related to the expertise housed within that agency. In 2007, for example, the Environmental Protection Agency provided technical assistance for international environmental management and technology programs, while the Department of Interior participated in the Multinational Species Conservation Fund through the U.S. Fish and Wildlife Service. The Trade and Development Agency is tasked with economic development that advances U.S. commercial interests in developing and middle-income countries. The Department of Energy assists foreign states with nuclear non-proliferation efforts and participates in international energy conservation

and clean energy partnerships, while the Department of Labor sponsors foreign programs designed to reduce the prevalence of child labor and programs to promote HIV/AIDS awareness through the workplace. The Department of Justice provides training on identity theft and cybercrime to foreign law enforcement personnel. The African Development Foundation and Inter-American Foundation provide small grants to community organizations and business enterprises that benefit underserved communities in their respective regions. The Export-Import Bank issues loan guarantees and insurance to commercial banks that make trade credits available to American exporters, the Department of Commerce provides technical assistance on commercial law development, the U.S. Institute of Peace promotes international peace through educational programs, conferences, and workshops, professional training, applied research, and dialogue facilitation in the United States and abroad, and the Department of Homeland Security provides technical assistance related to customs enforcement.

**Appendix A** lists all agencies reporting foreign assistance disbursements between FY2001 and FY2007. A graphic depiction of the general types of assistance carried out by key agencies, and where they overlap, is attached as **Appendix B**.

## Existing Coordination Mechanisms

Most foreign assistance funding, with the notable exception of Department of Agriculture food assistance and certain DOD accounts, is appropriated through the State-Foreign Operations Appropriations bill.<sup>11</sup> While the common funding mechanism implies some level of legislative coordination, the coordination of policy and implementation in the field remains a different matter. No single overarching mechanism coordinates the whole range of U.S. foreign assistance policies and programs, but several less comprehensive systems of coordination exist among various departments and agencies, such as National Security Council policy coordination committees, new information sharing technology systems, and inter-agency staff exchanges. Furthermore, the government has demonstrated a capacity to establish extensive coordination mechanisms in situations where aid coordination issues are a high priority, such as during reconstruction activities in Iraq. This section reviews some of the coordination mechanisms that currently exist.

### National Security Council

The policy coordination committees (PCC) of the National Security Council (NSC) are key to government policy coordination. During the Bush Administration, 17 such committees developed, implemented and managed cross-agency issues related to national security on a day-to-day basis, including an International Development and Humanitarian Assistance PCC. The Obama Administration has renamed this committee the “Interagency Policy Committee for Development (Development IPC).” It is currently co-chaired by NSC Director Gayle Smith and

---

<sup>11</sup> The State-Foreign Operations bill funds all International Affairs (150) budget account activities, with the exception of food aid. Between FY1999 and FY2004, between 5% and 10% of foreign assistance disbursements reported by agencies originated outside of the 150 account. In FY2006, this number rose to 34%, and to 44% in FY2007, almost entirely due to sharp increases in Army disbursements through the 050 Defense account. An increase in HHS disbursements originating from the 550 health budget account is notable in these years as well, though dwarfed by the 050 increase.



USAID Acting Administrator Alonzo Fulgham, and the agencies are represented at the Assistant Secretary-level or equivalent.<sup>12</sup>

Under the Bush Administration, there were several informal Sub-PCCs within the Development PCC that met to focus on issues such as aid effectiveness, economic growth, investing in people, public-private partnerships, and public diplomacy. These Sub-PCCs were not prescribed by a National Security Directive, but were created as the need arose. For example, the Investing in People Sub-PCC began meeting in May 2008 for the purpose of improving collaboration of U.S. government agencies on water and health issues. A Civilian-Military Cooperation Sub-PCC was established in October 2008 to address policy issues relevant to the coordination of foreign assistance activities among the Department of Defense and civilian agencies and departments. Some of these subcommittees are reportedly still meeting, and the Obama Administration has yet to determine if new subcommittees will be established.

Participants at PCC/IPC meetings have suggested that the lack of overarching authority limits effective coordination. Each agency or department has an interest in protecting its own authority and funding, and none has the authority to impose requirements on the other. While disputes may be referred to higher levels within the NSC, observers have noted that officials tend to resolve disagreements at the lowest possible level to avoid the possibility of being overruled by their superiors or creating new conflicts through the involvement of higher authorities. As a result, the process relies on consensus decision-making that may emphasize more peripheral issues on which everyone can agree.

## **Director of Foreign Assistance and the F Process**

In 2006, the Bush Administration sought to increase coherence of foreign aid programs by creating a new State Department position, Director of Foreign Assistance (DFA), and the corresponding F Bureau. The restructuring was part of Secretary Rice's transformational development initiative that included a Strategic Framework for Foreign Assistance to align U.S. aid programs with American strategic objectives, transform recipient countries' economic development paths, and graduate countries from development aid. Until January 2009, when a separate acting DFA was appointed, the DFA served concurrently as the Administrator of USAID. Charged with coordinating U.S. assistance programs, the DFA has authority over most State and USAID programs and is tasked with providing guidance to other agencies that manage foreign aid activities. Nevertheless, major foreign aid programs, such as the Millennium Challenge Corporation and the Office of the Global AIDS Coordinator (OGAC), remain outside of the DFA's authority.<sup>13</sup>

With the increasing number of domestic policy agencies involved in foreign aid programs, as well as the Department of Defense's growing role in reconstruction and stabilization work, many analysts believe the DFA controls too small a portion of foreign aid to effectively coordinate the development assistance programs, much less bring cohesion to a broader range of U.S. foreign aid activities. State Department and USAID disbursements represent only about 30% of total U.S. foreign assistance in 2007 and 64% of economic (non-military) aid.

---

<sup>12</sup> From e-mail exchange with senior staff at the Bilateral and Multilateral Donors Division, Office of Development Partners (ODP/BMD), USAID, July 2009.

<sup>13</sup> Though the DFA has no direct authority over the MCC, the USAID Administrator and the Secretary of State are member of the MCC's Board of Directors.

Since the creation of the DFA position, the relevant FY2008, FY2009 and FY2010 budget requests were developed jointly by State Department and USAID teams in an attempt to provide better coordination and coherence at the program level. This coordination has been cited as a step toward developing and implementing an integrated overall foreign assistance budget. Further coordination emanates from the F Bureau's guidance on operational plans, which "requires the State Department and USAID staff to describe how the programs of all other U.S. government agencies in the country are helping address, at the program area level, the goals in F's foreign assistance framework."<sup>14</sup> The information sharing, however, may be hindered by a perception among officials from some other agencies involved with disbursing foreign aid that supporting the coordination effort through the F process creates an additional layer of work that is not regarded as a priority within their own agencies.<sup>15</sup> Furthermore, some State and USAID officials in the field reported feeling that the F structure put more emphasis on decision making in Washington and reduced their role in policy formulation and priority setting.

### **FACTS /FACTS Info**

To facilitate the F Process, State and the F Bureau developed a new data information system, the Foreign Assistance Coordination and Tracking System (FACTS) in December 2006. FACTS is a database to collect foreign assistance and planning data. Although the intent was to include plans for implementing current-year budgets and planning and reporting data for all U.S. departments and agencies implementing foreign assistance programs, only programs under the authority of DFA are currently detailed in FACTS.<sup>16</sup>

A second system, FACTS Info, was deployed in October 2008 to aggregate, analyze, and report data on U.S. foreign assistance programs. Currently, only State and USAID use the system. The plan for FACTS Info to include comprehensive data from every agency involved in foreign assistance in any given country has reportedly been difficult to implement, since agencies each use different procedures for allocating resources and measuring results.<sup>17</sup> In an effort to negotiate for cooperation, DFA has asked other agencies providing foreign assistance to submit their assistance data from prior years for entry into the FACTS database, in exchange for having access to FACTS.<sup>18</sup> This move to align past resources to a country from different agencies is intended as a step towards aligning future activities and expenditures, as well as creating more comprehensive historic data on U.S. foreign assistance activities by country.

### **Country Assistance Strategies**

The F Bureau has implemented a Country Assistance Strategy (CAS) pilot program to coordinate assistance at the country level. The CAS concept began in August 2007 to improve the long-term

---

<sup>14</sup> *Foreign Aid Reform: Comprehensive Strategy, Interagency Coordination, and Operational Improvements Would Bolster Current Efforts*, The Government Accountability Office, GAO-09-192, April 2009, p. 23.

<sup>15</sup> *Ibid.* p. 32. Officials included those from the Departments of Commerce, Energy, Health and Human Services, and the Treasury.

<sup>16</sup> *Foreign Assistance: State Department Foreign Aid Information Systems Have Improved Management Practices but Do Not Follow Risk Management Best Practices*, The Government Accountability Office (GAO-09-52R), November 21, 2008, p. 2.

<sup>17</sup> *Foreign Aid Reform: Comprehensive Strategy, Interagency Coordination, and Operational Improvements would Bolster Current Efforts*, The Government Accounting Office (GAO-09-192, April 2009, pp.13and 23.

<sup>18</sup> Interview with F Bureau officials, December 22, 2008.



strategic planning process for State and USAID programs, but has since been broadened to reflect a “whole of government” approach. All U.S. agencies providing assistance in the 10 countries in the pilot program<sup>19</sup> are to work together to develop a 15 page-or-less CAS document that summarizes the specific U.S. foreign assistance goals in their respective countries, identifying priorities for a five-year period. As of January 2009, draft strategies for all ten pilot countries had been submitted to the F Bureau. As of July 2009, nine of them were approved and one remained under review. According to the Department of State, when all are approved it will conduct an after action review of lessons learned and determine best practices for ensuring future country level assistance coordination. No time frame has been established for implementing the CAS worldwide.<sup>20</sup>

## **SEED and FSA Coordinators**

Both the Freedom Support Act (FSA) and Support for Eastern European Democracy (SEED) regional aid programs (combined in 2009 to create the Assistance for Europe, Eurasia and Central Asia account, or AEECA) were managed by a respective coordinator, as mandated by Congress in each program’s authorizing legislation. Both are now under the authority of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia,<sup>21</sup> which is functioning as part of the F Bureau. The Coordinator is an example of a regionally-focused, cross-agency coordination authority, primarily tasked with ensuring that the work of dozens of agencies implementing programs in eastern Europe and the former Soviet states is consistent with U.S. foreign policy objectives.

The Office of the Coordinator has been lauded for establishing credible economic and democratic reform measures, linking performance measurement data with the budget planning process, and reporting clear and timely data on U.S. assistance programs in the region.<sup>22</sup> The coordinator has also been credited with resolving differences between different agencies working in the region using FSA and SEED funds, but has no authority in regard to significant agency aid activities funded outside of these accounts. Observers have noted that activities falling under the Coordinator’s authority seemed to merge more easily than others into the F Process, and suggested that similar intermediate coordinators be established in other regions receiving substantial U.S. assistance.<sup>23</sup> Critics, however, may view such a proposal as a new layer of bureaucracy that does little to address underlying structural incoherence.

---

<sup>19</sup> Countries chosen for the pilot phase include Tanzania, Mozambique, Democratic Republic of the Congo, the Philippines, Armenia, Bosnia, Morocco, Nepal, Jamaica, and Honduras. The USAID Office of Middle East Programs is participating as well. These countries were chosen for geographical diversity, range of foreign assistance programs, and their the desire of mission officials to participate.

<sup>20</sup> *Foreign Aid Reform: Comprehensive Strategy, Interagency Coordination, and Operational Improvements would Bolster Current Efforts*, The Government Accounting Office (GAO-09-192, April 2009, pp. 25-26; Author’s correspondence with F Bureau staff, July 30, 2009.

<sup>21</sup> The function of the two coordinator positions were combined in 2001, as detailed by a presidential Memorandum on the Charter for the Coordinator of United States Assistance to Europe and Eurasia, July 25, 2001.

<sup>22</sup> See program assessment of the Support Eastern European Democracy/Freedom Support Act at <http://www.whitehouse.gov/omb/expectmore/summary/10001109.2004.html> (as of 12/5/2008).

<sup>23</sup> *Embassies Grapple to Guide Foreign Aid*, A Report to Members of the Committee on Foreign Relations, United States Senate, November 16, 2007 (S.Prt. 110-22) , p. 5, 18.

## **Office of the Global AIDS Coordinator**

The Office of the Global Aids Coordinator (OGAC) coordinates and oversees the U.S. global response to HIV/AIDS, and could be a model for sector-based cross-agency coordination. The U.S. Global AIDS Coordinator reports directly to the Secretary of State. Among the coordinator's responsibilities are ensuring program and policy coordination among the relevant government agencies and departments and nongovernmental organizations, as well as coordinating with other countries and international organizations to avoid duplication of effort. The coordinator directly approves all activities of the United States relating to combating HIV/AIDS in the 15 PEPFAR focus countries, whether they are carried out by State, USAID, DOD, or CDC.

## **Coordinator for Reconstruction and Stabilization (S/CRS)**

The Office of the Coordinator for Reconstruction and Stabilization (S/CRS) was created in 2004 within the State Department to improve the United States' ability to respond to crises involving failed or failing states and complex emergencies. Its creation was a means to establish more routine coordination of the situations previously addressed sporadically by the NSC Development PCC.

The S/CRS mission is to lead, coordinate and institutionalize U.S. Government civilian capacity to prevent or prepare for post-conflict situations and help stabilize and reconstruct societies in transition from conflict to peace, democracy, and a market economy. The office facilitates the implementation of National Security Presidential Directive 44, issued December 7, 2005, which empowers the Secretary of State to lead and coordinate the U.S. government response in post-conflict environments across all involved agencies, and to work with the Secretary of Defense to harmonize civilian and military activities.<sup>24</sup>

Some experts claim that S/CRS has suffered from insufficient resources and support, has relied on borrowed personnel (112 interagency staff, as of January 2009), and has become dependent on DOD funding through a special authorization originating in the FY2006 National Defense Authorization Act.<sup>25</sup> The fact that S/CRS was formally authorized through the FY2009 Defense Authorization Act has raised concerns about overemphasizing the military's role in post-conflict reconstruction. The office has been cited as a prime example of the imbalance of resources between the Defense and Foreign Affairs budget that some analysts believe erodes the authority of civilian aid entities and undermines their ability to lead and coordinate assistance activities government-wide.<sup>26</sup> The Obama Administration has requested \$323 million for the State Department in FY2010 to be used for S/CRS's Civilian Stabilization Initiative, potentially addressing these concerns. For more on S/CRS, see CRS Report RL32862,

---

<sup>24</sup> See "Frequently Asked Questions" about S/CRS at <http://www.state.gov/s/crs/66427.htm>.

<sup>25</sup>Section 1207 of the National Defense Authorization Act (NDAA) for Fiscal Year 2006 (P.L. 109-163) provided authority for DOD to transfer to the State Department up to \$100 million in defense articles, services, training or other support in FY2006 and again in FY2007 to use for reconstruction, stabilization, and security activities in foreign countries. This authority was extended through FY2008 by Section 1210 of the FY2008 NDAA (P.L. 110-181) and through FY2009 by the Section 1207 of the FY2009 Duncan Hunter NDAA (P.L. 110-417). The FY2009 Duncan Hunter NDAA provides special authority for \$50 million to be spent under Section 1207 for Georgia in addition to the \$100 million for other countries.

<sup>26</sup> Testimony of Ann C. Richard, Vice President for Government Relations and Advocacy for International rescue Committee, before the Senate Homeland Security and Government Affairs Subcommittee, July 31, 2008.

*Peacekeeping/Stabilization and Conflict Transitions: Background and Congressional Action on the Civilian Response/Reserve Corps and other Civilian Stabilization and Reconstruction Capabilities*, by Nina M. Serafino.

## **State/USAID Coordination with the Department of Defense**

In recent years, State and USAID have taken steps to improve coordination with the Department of Defense. In 2005, USAID created an Office of Military Affairs. As part of this formal structure, military liaison officers from each of the geographic Combatant Commands and the Special Operations Command are assigned to USAID, and senior USAID development officials have been assigned to the Commands, as well as to the Pentagon. While some observers have expressed concern about a perceived militarization of foreign aid, which could present security risks for aid workers in the field as well as alter perception of U.S. aid activities, others argue that this coordination mechanism ensures that development officials have a voice in assistance activities even when security or logistics challenges limit the role of civilian aid agencies. For more background information on the military role in foreign assistance, see CRS Report RL34639, *The Department of Defense Role in Foreign Assistance: Background, Major Issues, and Options for Congress*, coordinated by Nina M. Serafino.

Congress has also created its own mechanism for coordination between State and DOD, authorizing the Secretary of Defense, with the concurrence of the Secretary of State, to train and equip foreign military and foreign maritime security forces in Section 1206 of the National Defense Authorization Act (NDAA) for Fiscal Year 2006. DOD has used this authority primarily to provide counterterrorism support. Section 1206 requires that State and DOD formulate programs together and coordinate their implementation. The resulting joint review process could serve as a model for other assistance programs and potentially other agencies. Programs are developed with the approval of both DOD and Department of State officials, with input from U.S. embassies and the military combatant commands. Both parties “must approve each program explicitly in writing”<sup>27</sup> before the proposal is submitted to DOD and State Department staff in Washington, D.C. for their concurrence and, ultimately, the approval of the Secretaries of Defense and State.<sup>28</sup>

## **Aid Coordination in Other Countries**

More than 20 nations provided official development assistance (ODA) in 2007, according to the Organization for Economic Cooperation and Development (OECD), with a total value of more than \$117 billion.<sup>29</sup> The United States accounts for about 18.5% of that total. While the United States is the largest single donor in terms of value, many nations contribute a higher percentage of their gross domestic income to foreign aid, and most face similar public and political pressures as do American policymakers.

---

<sup>27</sup> *FY2009 DOD Summary Justification*, p. 103.

<sup>28</sup> E-mail to CRS from the OSD/P, May 20, 2007.

<sup>29</sup> See the OECD website at <http://stats.oecd.org/wbos/Index.aspx?DatasetCode=TABLE1>.

## *United Kingdom*

The United Kingdom is a major donor nation that has created the equivalent of a cabinet-level international aid agency. The UK Department for International Development (DFID) was created in 1997 by the incoming Labour government, and is believed by some to be the most efficient and effective aid agency in the world.<sup>30</sup> DFID encompasses all major bilateral and multilateral aid programs and unifies policy and implementation authority. One example of DFID's broad authority over development policy is that the Department is consulted on the approval of arms export license applications before they are issued.<sup>31</sup>

Some critics believe that the DFID model would not be appropriate for U.S. development programs. One reason cited is that DFID programs must have poverty alleviation as their primary objective,<sup>32</sup> reflecting a singularity of purpose that is incongruent with the multitude of objectives driving U.S. foreign aid programs. Admirers of this model, however, say it has elevated the status and power of development programs within the UK government, leading to improved recruitment of high-quality personnel. One analyst has pointed out that since the creation of DFID, more new government management recruits in the U.K. apply to the development agency than to the Foreign Office or the Treasury, which were the prior favorites.<sup>33</sup> This example may be of particular interest to U.S. policymakers with an interest in rebuilding the waning manpower of USAID as a component of foreign aid reform. Another notable aspect of the U.K. structural reform is the decreased centralization of aid management since the DFID's creation in 1997, an evolution that has given field offices expanded authority and, some say, enhanced partnering and stronger relationships with host countries.<sup>34</sup>

## *Germany*

Germany also has a cabinet-level Ministry of Economic Cooperation and Development that is independent of the Federal Foreign Office. The BMZ, as it is called, is responsible only for policy development, not implementation. Implementation is carried out through two separate organizations, one that manages capitol investments and program loans and another that manages grants and technical assistance. Like the U.S. State Department, Germany's Federal Foreign Office, rather than its Development Ministry, is in charge of humanitarian assistance.<sup>35</sup>

## *The Netherlands and Denmark*

Both the Netherlands and Denmark use a structure in which foreign assistance programs are fully integrated into their respective ministries of foreign affairs. The Netherlands coordinates aid

---

<sup>30</sup> See Lancaster and Van Dusen, p. 43.

<sup>31</sup> Barber, Owen, "Reforming Development Assistance: Lessons From the U.K. Experience," in *Security By Other Means*, (The Brookings Institution, 2007) p. 291.

<sup>32</sup> The United Kingdom's International Development Act of 2002 made it unlawful to provide aid for any purpose other than poverty reduction, eliminating, among other things, the practice of tying aid to the purchase of British goods and services.

<sup>33</sup> Barber, pp. 277-278.

<sup>34</sup> *Ibid.*, p. 295.

<sup>35</sup> *Managing Aid: Practices of DAC Member Countries*. DAC Guidelines and Reference Series, OECD Publishing 2005, p. 57.

programs through a Coordinating Council for International Affairs and established a Policy Coherence Unit in 2002, tasked with contributing to policy formation in non-development fields and addressing cases of policy incoherence. A noted example of the Unit's work is a Memorandum on Coherence Between Agricultural and Development Policy signed in 2002 in conjunction with the mid-year review of the European Union's agricultural policy negotiations with the World Trade Organization.<sup>36</sup> The Netherlands also established a Homogeneous Budget for International Cooperation in 1995, to ensure that all foreign assistance, including expenditures such as debt relief and domestic refugee costs, are part of the same planning framework.

### *France and Japan*

France and Japan both have highly decentralized foreign assistance structures in which policy decisions are made by a variety of ministers with responsibility for foreign affairs and finance, and largely administered by a number of sub-cabinet agencies, many of which have their own aid programs. However, in 1998 France created an Inter-Ministerial Committee for International Cooperation and Development (CICID) to establish objectives and instruments for France's international development programs and ensure coherence of geographic and sectoral priorities. CICID usually meets annually, with meetings of staff and senior officials more frequent.<sup>37</sup> In Japan, coordination is managed through a Council of Overseas Economic Cooperation which holds ministerial-level meetings of the ministries involved in international development, supplemented by inter-ministerial meetings of development assistance directors and technical experts.<sup>38</sup>

### *Canada*

The Canadian model uses two sub-cabinet level agencies to administer bilateral assistance. The Canadian International Development Agency is responsible for project and program loans and grants, while the much smaller International Development Research Center is responsible for research and technical assistance. This structure is notable for protecting the funding and status of development-related research. There is no formal inter-agency coordination structure.

## **Selected Coordination Options<sup>39</sup>**

In the decades since the Foreign Assistance Act of 1961 became law, Congress, various Administrations, and a number of Commissions have reviewed the foreign aid programs and proposed ways to improve the coordination of U.S. foreign assistance, usually by consolidating or otherwise restructuring various agencies.<sup>40</sup> The following options to improve the coherency and coordination of U.S. foreign aid have been at the center of recent discussions on foreign aid

---

<sup>36</sup> *Ibid.*, p. 20.

<sup>37</sup> *Ibid.*, p. 27.

<sup>38</sup> *Ibid.*, p. 55.

<sup>39</sup> For more detail on restructuring options, see CRS Report RL34243, *Foreign Aid Reform: Issues for Congress and Policy Options*, by Susan B. Epstein and Connie Veillette.

<sup>40</sup> For an overview of major reports and their recommendations, see CRS Report R40102, *Foreign Aid Reform: Studies and Recommendations*, by Susan B. Epstein and Matthew C. Weed. Recommendations to improve foreign aid generally include aspects related to improving foreign aid coordination.



reform. Some would require legislative action and are components of broader reform legislation, while others could be achieved in the Executive Branch.

## **Enhance Coordination as Part of a National Foreign Assistance Strategy**

Many analysts believe that U.S. foreign assistance activities cannot be effectively coordinated or consolidated without a modern national foreign assistance strategy in place to define the objectives of that coordinated effort and every agency's role in achieving those objectives. The lack of a national strategy has been cited by many aid professionals as enabling the proliferation of incoherent development policies and aid programs. Several bills pending before Congress, addressed in the Legislative Activity section below, direct the Administration to create such a strategy as a first step towards foreign assistance reform. In addition, Secretary of State Hillary Clinton announced that the State Department will conduct a Quadrennial Diplomacy and Development Review (QDDR) as a means of developing clear national objectives relating to diplomacy and development, and emphasized the importance of inter-agency coordination to that effort.<sup>41</sup>

## **Empower One Entity to Coordinate All U.S. Foreign Aid**

Foreign aid experts most often suggest the adoption of a single foreign assistance entity to improve foreign aid coordination. Some development experts believe that a single lead entity coordinating all U.S. foreign assistance could improve the effectiveness of American foreign aid and result in budget savings through improved efficiency. Single agency coordination could be accomplished in a number of ways, some requiring congressional action, others not. The President could designate USAID as the agency responsible for coordinating all foreign aid, which some development advocates believe would give development programs stronger standing alongside diplomacy and defense. Alternatively, he could vest this authority in the State Department, which some experts argue would ensure that the Secretary of State has all the tools of foreign policy at her disposal. With USAID still led by an Acting Administrator many months into the Obama Administration, and Secretary of State Hillary Clinton announcing a Quadrennial Diplomacy and Defense Review to cover all State and USAID programs, development advocates have expressed concern that the latter seems more likely. Congress could also establish a new cabinet-level foreign assistance or development department, as did the United Kingdom, to take this lead role. Key to the success of this approach, experts agree, is ensuring that whichever entity is chosen to lead has the authority to enforce coordination of all foreign assistance programs, or at least development assistance activities, across the federal government in the face of agency resistance. The lack of such authority and scope is often cited as one reason some observers believe the F Process has met limited success to date.

---

<sup>41</sup> A transcript of the Town Hall Meeting announcing the QDDR is available at <http://www.state.gov/secretary/rm/2009a/july/125949.htm>.

## **Build on White House/NSC Structures with Department/Agency Representatives**

The idea of the President establishing a White House/NSC committee that would represent all primary departments and agencies that conduct aid activities has surfaced in recent years. Such a committee could have greater authority than the existing NSC IPC. The first order of business could be to pull together the information on what aid is being provided by which departments and agencies and create the national strategy previously discussed. Maintaining a standing committee of this type, some believe, would enable better interagency communication and regular review of policy priorities. Former USAID Administrator Brian McPherson suggests that such a committee, under the direction of the USAID Administrator, conduct a quadrennial international development review similar to the Quadrennial Defense Review of the Department of Defense.<sup>42</sup> Congress could statutorily mandate such a review, as well as require other mechanisms of coordination. Section 302 of H.R. 2410, the Foreign Relations Authorization Act for Fiscal Years 2010 and 2011 approved by the House of Representatives on June 10, 2009, calls for a quadrennial review of diplomacy and development programs. In addition, Secretary of State Clinton recently announced her intent to institute such a quadrennial review.

## **Separate Strategic Assistance from Development Assistance**

The use of U.S. foreign aid both as a diplomatic (strategic) tool and for development goes back to the Marshall Plan after World War II. Problems can arise, however, when there are conflicting U.S. objectives in a recipient country, or when aid is allocated based on strategic interests but is evaluated based on development achievements. Some experts believe that U.S. aid effectiveness cannot be adequately evaluated as long as the purpose of the aid has not been clearly identified. “The problem of separating decisions on the allocation of aid by the Department of State and its implementation by USAID has often led critics of foreign aid to blame USAID for development failures (to the detriment of the reputation and morale of USAID) and, more broadly, to reach the mistaken conclusion that aid for development is generally ineffective.”<sup>43</sup> Observers have suggested that part of the success of the U.K.’s Department for International Development can be attributed to its singular focus on poverty reduction.

A realignment that groups aid programs targeted primarily on long-term development objectives (MCC and most USAID programs, for example) under a separate authority from those primarily motivated by diplomatic and security priorities (which are often under the purview of State and/or DOD), proponents argue, could eliminate the need for some inter-agency coordination, provide clarity of purpose and authority, and facilitate accurate evaluation of program effectiveness. Furthermore, if use of aid for U.S. national security becomes more transparent, the American public may better understand where and why their tax dollars are being spent overseas. On the other hand, the line between strategic and development aid is often unclear. Assistance given to a key ally for strategic purposes, for example, may be spent on the same basic education or water sanitation project that traditional development assistance funds might support. Furthermore, some analysts believe that delinking development assistance from the security rationale that underlies

---

<sup>42</sup> Former USAID Administrator M. Peter McPherson, prepared testimony before the House Foreign Affairs Committee on *Foreign Assistance Reform: Rebuilding U.S. Civilian Development and Diplomatic Capacity*, June 25, 2008.

<sup>43</sup> See Lancaster, Carol and Van Dusen, Ann, *Organizing U.S. Foreign Aid: Confronting the Challenges of the Twenty-First Century*, The Brookings Institute (2005), p. 24.

most strategic assistance would lessen political support for development programs that have little domestic constituency yet remain essential to supporting broad diplomatic and strategic goals.

## **Enhance Coordination and Authority at the Country Level**

While some experts argue that consolidating authority in Washington would lead to greater coordination and coherence of foreign assistance, others want to put more emphasis on coordination at the country level, giving more authority to Ambassadors, as apparently envisioned by the drafters of the FAA. The latter argue that an in-country U.S. official is in a better position than officials in Washington to know what development or strategic assistance is most needed and/or most effective in their host country. As a Senate Foreign Affairs Committee report noted, “in every embassy visited, ambassadors leading a strong front office were seen as clearly indispensable to a coordinated aid program.” Furthermore, while “in 19 of the 24 embassies visited, there did seem to be an adequate coordination mechanism with strong oversight by the Ambassador,” in embassies that had been without an Ambassador for more than a year, “coordination efforts were much more fractious.”<sup>44</sup> Members of the Senate may wish to address aid coordination issues during the ambassadorial confirmation process to inquire whether it is a priority of mission leaders. Another approach to strengthening county-level coordination is to support the existing CAS program by implementing a timeline for evaluation of the pilot project and presenting a plan for global deployment of the CAS.

## **Require Whole of Government Reporting**

Although multiple reporting requirements are a reason some aid professionals cite for needing better coordination of assistance programs, one central reporting requirement could be an important step towards better coordination of aid. Most agencies involved in foreign assistance currently report their activities to USAID’s Office of Economic Analysis and Data Services for inclusion in the Foreign Assistance Database, from which the annual Greenbook and OECD reports are generated. Agency participation is not required, however, and the detail and format with which agencies report their activities is inconsistent. Congress could mandate that all agencies report their foreign assistance activities, at a specified level of detail, to a central office, and further require that this information be made publically available. Such uniform reporting, and perhaps additional resources, could make the data more complete and available for congressional and public access more quickly (a two-year lag that currently exist with the Greenbook), and make it easier for agency staff in the field or headquarters to see whole-of-government activities in their region. Critics may argue that such a requirement simply adds more administrative burdens to overstretched agency staff. Others foresee that comprehensive and uniform agency reporting would reduce the number of individual information requests to which staff must respond.

## **Require Inspector General Reports on All Aid Activities**

A common mechanism for program review has been suggested as a means of coordinating all U.S. foreign assistance. Noting that State does very little auditing of programs while the USAID

---

<sup>44</sup> *Embassies Grapple to Guide Foreign Aid*, A Report to Members of the Committee on Foreign Relations, United States Senate, November 16, 2007 (S.Prt. 110-22), p. 23.



Inspector General's (IG) office is a presence in most countries receiving U.S. aid, at least one expert has proposed that Congress require all foreign assistance, no matter what agency implements the program, be audited by the USAID IG. Similarly, S. 1524, the Foreign Assistance Revitalization and Accountability Act, proposes the creation of a new cross-agency evaluation entity for foreign assistance. This approach has been suggested by former USAID Administrator Andrew Natsios as a means of ensuring that all programs are evaluated in a comparable manner.<sup>45</sup> A possible model for this type of broader Inspector General role is the Special Inspector General of Iraq Reconstruction (SIGIR), which has cross-agency jurisdiction to conduct both financial audits and program assessments of all U.S. activities in Iraq. Many observers have credited SIGIR reports for providing insight into the complex relationships between the wide range of U.S. activities in Iraq, and for identifying which programs have been successful and which have not. Critics of this approach, however, may assert that a cross-agency auditing requirement would increase bureaucracy, divert funds away from program implementation, and would not, by itself, lead to better coordination.

## Legislative Activity

In the 111<sup>th</sup> Congress, foreign assistance reform proposals incorporating aid coordination provisions have been introduced in both the House and Senate.

H.R. 2139, the Initiating Foreign Assistance Reform Act of 2009, was introduced by House Foreign Affairs Committee Chairman Berman on April 28, 2009. The legislation directs the President to develop and implement a National Strategy for Global Development, which, among other things, would “define the role of United States Government departments and agencies in carrying out global development policies and programs, such as trade policies, debt relief, climate change, and other polices... and create a process to enhance the interagency coordination among such departments and agencies to ensure policy and program coherence and avoid duplication and counterproductive outcomes among such policies and programs.”<sup>46</sup> The bill also requires the Strategy to address coordination among U.S. aid entities and “multilateral, bilateral, and international organizations, host country governments, and civil society organizations, carrying out similar policies and programs to reduce poverty and contribute to broad-based economic growth.”<sup>47</sup>

H.R. 2410, the Foreign Relations Authorization Act, Fiscal Years 2010 and 2011, was introduced by Chairman Berman on May 14, 2009 and approved by the House on June 22. Among other things, the bill requires the President to establish a national strategy for U.S. diplomacy and development by December 2010, and conduct a Quadrennial Review of Diplomacy and Development (QRDD). The language on coordination in H.R. 2139 is mirrored in provisions of H.R. 2410 addressing key elements required of the QRDD.<sup>48</sup> The idea of a quadrennial review has gained some momentum, and Secretary of State Hillary Clinton announced on July 10, 2009, that the State Department will conduct a Quadrennial Diplomacy and Development Review

---

<sup>45</sup> Testimony at the Senate Foreign Relations Committee hearing on “USAID in the 21<sup>st</sup> Century,” April 1, 2009.

<sup>46</sup> H.R. 2139, 111<sup>th</sup> Congress, Sec. 2(c)(1).

<sup>47</sup> H.R. 2139, 111<sup>th</sup> Congress, Sec. 2(c)(3).

<sup>48</sup> H.R. 2410, 111<sup>th</sup> Congress, Sec.302(b)(2)(B).

(QDDR) for the first time. Among other reasons Clinton cited for the review was “to coordinate our work and to accelerate transitions from old ideas and outmoded programs.”

S. 1524, The Foreign Assistance Revitalization and Accountability Act of 2009, was introduced by Senate Foreign Relations Committee Chairman John Kerry and Ranking Member Richard Lugar on July 28, 2009. Among other things, the legislation would establish an Independent Evaluation and Research Innovation Group for Foreign Assistance tasked with “research and analysis aimed at identifying ways of improving coordination of foreign assistance programs carried out by Federal agencies, including ways of coordinating research and development conducted by such agencies.”<sup>49</sup>

---

<sup>49</sup> S. 1524, 111<sup>th</sup> Congress, Sec. 6 (2)(A)(ii).

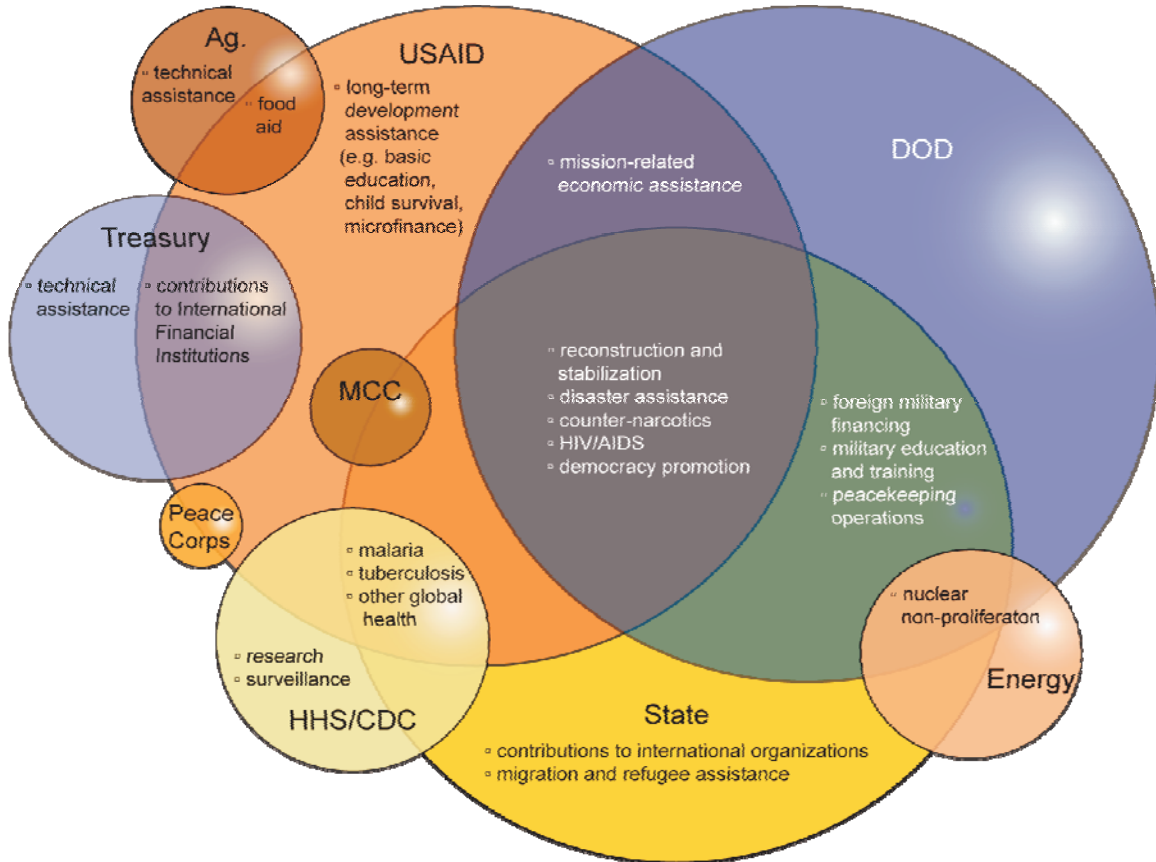
## Appendix A. Foreign Assistance Disbursements by Agency, FY2001-FY2007

(in thousands of current U.S. \$)

Agency	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
USAID	7,326,658	9,315,556	10,375,275	10,855,438	11,558,449	11,794,281	10,685,760
Agriculture	118,799	146,673	654,535	579,866	297,159	403,884	232,362
Energy	—	—	298,959	400,820	783,434	648,843	1,180,623
HHS	96,253	396,311	604,852	957,330	1,775,694	1,397,561	616,298
State	1,666,290	2,957,187	2,697,370	2,881,177	3,746,360	2,762,906	3,362,449
Treasury	1,146,455	1,203,693	452,327	2,692,431	1,248,320	1,121,356	1,458,753
MCC	—	—	—	4,283	47,418	96,148	220,859
Peace Corps	269,875	273,665	294,885	308,856	309,735	287,535	255,504
DOD	4,528,354	4,931,714	7,459,848	7,632,186	12,586,150	20,403,801	27,371,694
Inst. Of Peace	—	—	—	3,000	5,000	1,540	500
African Dev. Foundation	2,617	15,204	14,189	17,553	19,196	20,455	22,641
Broadcast Board of Gov.	—	—	—	—	—	—	1,032
Commerce	—	—	10	6,927	6,915	10,572	12,595
Homeland Security	—	—	—	626	583	—	721
Justice	—	—	4,098	350	176	665	1,793
Labor	—	91,028	125,222	100,899	90,898	80,006	78,183
Interior	142,740	178,594	201,485	188,199	186,722	214,098	215,732
Transportation	—	—	6,103	7,185	—	—	370
EPA	—	—	—	—	21,825	15,345	25,793
Fed. Trade Comm.	—	—	—	164	—	—	—
Inter-American Foundation	8,736	13,378	11,120	13,274	15,871	20,120	20,099
Nat. Science Foundation	10,250	13,259	13,110	14,142	11,639	8,690	9,074
Open World Leadership	4,165	9,020	13,880	8,120	13,760	13,264	—
OPIC	—	—	—	—	18,625	—	—
Trade & Dev. Agency	52,206	75,246	52,811	66,172	66,955	55,302	53,190
Postal Service	—	—	—	733	—	—	—
<b>Total</b>	<b>15,373,399</b>	<b>19,620,527</b>	<b>23,280,077</b>	<b>26,739,730</b>	<b>32,810,885</b>	<b>39,356,370</b>	<b>45,826,024</b>

Source: USAID Foreign Assistance Database, May 19, 2009.

## Appendix B. Overlapping Agency Foreign Assistance Activities



**Source:** CRS.

**Notes:** The size of the circles is not proportional to each agency's share of foreign assistance disbursements, which changes significantly from year to year. An attempt was made to roughly show the average relative size of agencies' foreign aid activities over the last decade.

Areas of overlapping agency jurisdiction in this chart can mean two things. They can indicate a joint effort in a particular sector, and/or unrelated agency activities within the same sector. An example of the former is food aid, which is funded through the Department of Agriculture but implemented by USAID. The HIV/AIDS overlap is an example of the latter, with multiple agencies disbursing PEPFAR funds through their own programs. Sometimes both types of overlap occur simultaneously, as with MCC and USAID. MCC implements compact agreements independent of USAID, but compacts generally fund long-term development projects similar to those carried out by USAID, and the MCC threshold program is implemented by USAID.

## **Author Contact Information**

Marian Leonardo Lawson  
Analyst in Foreign Assistance  
mlawson@crs.loc.gov, 7-4475

Susan B. Epstein  
Specialist in Foreign Policy  
sepstein@crs.loc.gov, 7-6678