



Foreign Aid Reform, National Strategy, and the Quadrennial Review

Susan B. Epstein
Specialist in Foreign Policy

April 12, 2010

Congressional Research Service

7-5700

www.crs.gov

R41173

Summary

Several development proponents, nongovernmental organizations (NGOs), and policymakers are pressing the 111th Congress to reform U.S. foreign aid capabilities to better address 21st Century development needs and national security challenges. Over the past nearly 50 years, the legislative foundation for U.S. foreign aid has evolved largely by amending the Foreign Assistance Act of 1961 (P.L. 87-195), the primary statutory basis for U.S. foreign aid programs, or enacting separate freestanding laws to reflect specific U.S. foreign policy interests. Many describe U.S. aid programs as fragmented, cumbersome, and not finely tuned to address the existing needs and U.S. national security interests. Lack of a comprehensive congressional reauthorization of foreign aid for about half of those fifty years further compounds the perceived weakness of U.S. aid programs and statutes.

The current structure of U.S. foreign aid entities, as well as implementation and follow-up monitoring of the effectiveness of aid programs, have come under increasing scrutiny in recent years. Criticisms include a lack of focus and coherence overall, too many agencies involved in delivering aid with inadequate coordination or leadership, lack of flexibility, responsiveness and transparency of aid programs, and a perceived lack of progress in some countries that have been aid recipients for decades. Over the last decade, a number of observers have expressed a growing concern about the increasing involvement of the Department of Defense in foreign aid activities. At issue, too, is whether USAID or the Department of State should be designated as the lead agency in delivering, monitoring, and assessing aid, and what should the relationship between the two.

Representative Berman, Chairman of the House Foreign Affairs Committee (HFAC), states on the committee Website that foreign assistance reform is a top priority. In 2009, he introduced H.R. 2139, Initiating Foreign Assistance Reform Act of 2009. Similarly, Senator Kerry, Chairman of the Senate Foreign Relations Committee (SFRC), Senator Lugar, Ranking Minority Member, and others introduced a reform bill, S. 1524, the Foreign Assistance Revitalization and Accountability Act of 2009. Other foreign aid reform legislation is expected to be introduced in 2010. The Senate is likely to consider H.R. 2410, the House-passed Foreign Relations Authorization Act of 2010 and 2011, that includes language requiring a national strategy for development, as well as a quadrennial review of diplomacy and development.

The Obama Administration, with support from Secretary of State Hillary Clinton, Secretary of Defense Robert M. Gates, and USAID Administrator Rajiv Shah, announced action to seek solutions to the problems associated with foreign aid and begin the process of reform. Secretary Clinton announced in July 2009 that the Department of State would conduct a Quadrennial Diplomacy and Development Review (QDDR) to address issues involving State Department and USAID capabilities and resources to meet 21st Century demands. In August 2009, the President signed a Presidential Study Directive (PSD) on U.S. Global Development Policy to address overarching government department and agency issues regarding foreign aid activities and coordination. Both are scheduled to be concluded in 2010.

This report will follow the activities in both Congress and the Executive Branch on foreign aid reform, a national strategy for development, the QDDR, and the PSD.

Contents

Introduction	1
Interest in Elevating Diplomacy and Development	2
Issues and Actions During the George W. Bush Administration	2
Issues and Actions During the Obama Administration	3
National Strategy	5
Legislation on Foreign Aid Reform	6
The Quadrennial Review	8
Congressional Action	9
Executive Branch Action.....	9
QDDR Structure	10
Timing of Report.....	11
Initial Concerns.....	11
The Presidential Study Directive on U.S. Global Development Policy	12
Conclusion.....	12

Contacts

Author Contact Information	13
----------------------------------	----

Introduction

For years, many foreign aid experts have expressed concern about ongoing inefficiencies associated with the overall organization, effectiveness, and management of U.S. foreign aid. Specific problems most commonly cited include the lack of a national foreign assistance strategy; failure to elevate the importance and funding of foreign aid to be on par with diplomacy and defense as a foreign policy tool; lack of coordination among the large number of cabinet-level departments and agencies involved in foreign aid, as well as fragmented foreign aid funding; a need to better leverage U.S. multilateral aid to influence country or program directions; and a lack of visibility at the cabinet level for the U.S. Agency for International Development (USAID) – the primary administrator of aid programs. Also related is the debate among some lawmakers and policymakers about how to strengthen USAID’s role in aid planning, decision making, and implementation, as well as whether to designate it as the lead coordinator of all entities involved with U.S. development and humanitarian assistance programs in Washington and in aid recipient countries.

Regarding aid programs, some cite a lack of flexibility and responsiveness of aid programs to react quickly to events and needs on the ground. Another criticism is a perceived lack of progress in some countries that have been aid recipients for decades. And a growing concern, especially on the part of the nongovernmental organization (NGO) community, is the increasing involvement of the Department of Defense (DOD) in disbursing foreign aid, rising from 29% in 2001 to 60% in 2007 (including aid to Iraq and Afghanistan).¹

The Foreign Assistance Act of 1961 (FAA), as amended (P.L. 87-195; 22 U.S.C. 2151 and following, the main statutory basis for aid programs), is viewed by most development experts as being outdated and not reflecting current international conditions. It contains an emphasis on the Cold War and communism with a multitude of goals and outdated priorities and directives, many of which have been appended piecemeal to the original act. In addition, Congress has enacted over 20 other pieces of legislation establishing foreign aid authorities outside the FAA, adding to the diffusion of aid responsibility and initiatives within U.S. foreign policy overall. Many claim that the FAA needs to be rewritten in order to streamline and add coherence to a piece of legislation that has been amended frequently since its enactment nearly 50 years ago.

Recommendations on rewriting the FAA include stripping foreign aid legislation of fragmentary earmarks, aid restrictions, and aid procurement rules; refocusing aid on the core mission of poverty reduction; and restructuring aid legislation to set development goals based, not on outdated Cold War-era policy, but rather on the realities facing the United States in a post-9/11 environment.

A number of nongovernmental organizations, development experts, and policy makers are pressing the 111th Congress and the Administration to take steps to reform the U.S. foreign aid program. Several actions have already begun, including introduction of legislation to reform certain aspects of foreign aid, State Department announcement of a quadrennial review, and a Presidential Study Directive (PSD) on U.S. Global Development Policy.

¹ Excluding aid to Iraq and Afghanistan, DOD disbursement of aid amounts to 38% of total disbursements in FY2007. For more detail, see CRS report *Foreign Aid Reform: Agency Coordination* by Marian Leonardo Lawson and Susan B. Epstein, August 7, 2009, p. 5.

Interest in Elevating Diplomacy and Development

Over the years, interest in diplomacy and development as foreign policy tools has crossed the political spectrum. The terrorist attacks in 2001, however, highlighted a renewed interest in the benefits of diplomacy and development working more effectively along with defense toward U.S. national security goals. Both the Bush and the Obama Administrations, as well as Republican and Democratic Members of Congress, have expressed support for strengthening these tools.

Soon after the 9/11 terrorist attacks, the George W. Bush Administration directly linked diplomacy and development to national security interests of the United States and stated the importance of elevating diplomacy and development to be more on par with defense. In its 2002 National Security Strategy the Bush Administration stated, “We will actively work to bring hope of democracy, development, free markets, and free trade to every corner of the world.”² Continuing that theme in the 2006 National Security Strategy, the Administration said, “Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies. Improving the way we use foreign assistance will make it more effective in strengthening responsible governments, responding to suffering, and improving people’s lives.”³ In the FY2007 foreign affairs budget request, the Bush Administration stated, “There are no hard lines between our security interests, our development interests, and our democratic goals.”⁴ Many observers, however, have questioned whether the rhetoric has been matched by related policies.

Issues and Actions During the George W. Bush Administration

By the first term of the George W. Bush Administration, after years of declining aid funding, there was widespread agreement that foreign aid was an important U.S. foreign policy tool and reform of it would be necessary for aid to achieve optimal effectiveness in its contribution toward U.S. foreign policy and national security goals. In August 2003, then-Secretary of State Colin Powell and USAID Administrator Andrew Natsios released their *Strategic Plan, Fiscal Years 2004 – 2009, Aligning Diplomacy and Development Assistance*. Its mission statement said, “In the coming years, the principal aims of the Department of State and USAID are clear. These aims are anchored in the President’s *National Security Strategy* and its three underlying and interdependent components – diplomacy, development, and defense.”⁵

The Bush Administration made several changes to the foreign aid structure, in addition to significantly increasing its overall budget. The President’s Emergency Plan for AIDS Relief (PEPFAR), the largest program targeting a single disease, was announced in 2003. In 2004, the Administration established the Millennium Challenge Corporation (MCC), an independent government entity that provides aid to countries that demonstrate good governance practices, economic reforms, and the capability to use aid effectively. In 2005, then-Secretary of State Condoleezza Rice announced the concept of transformational diplomacy and development to

² *The National Security Strategy of the United States of America*, September 17, 2002, introductory statement by President George W. Bush.

³ *National Security Strategy of the United States of America*, March 2006, p. 33.

⁴ United States Department of State, *The Budget In Brief, Fiscal Year 2007*, p. 1.

⁵ *Strategic Plan, Fiscal Years 2004 – 2009, Aligning Diplomacy and Development Assistance*, August 2003, p. 1.

“enhance the accountability, effectiveness, efficiency, and credibility of foreign assistance by introducing a system of coordinated planning, budgeting, and evaluation.”⁶

Transformational development resulted in what was commonly referred to as the F process. In 2006, Secretary of State Condoleezza Rice created the Foreign Assistance (F) Bureau and a new position – Director of Foreign Assistance (DFA) – within the Department of State to more closely align the U.S. Agency for International Development (USAID) budget and activities with the State Department’s foreign policy objectives. The F process was to develop a coherent, coordinated foreign assistance strategy; provide multiyear country-specific assistance strategies; consolidate policy planning, budget, and implementation mechanisms to improve leadership in aid activities; and provide guidance for other government agencies involved in aid activities. The F Bureau developed a Strategic Framework for Foreign Assistance to align U.S. aid programs with strategic objectives. The Framework guided the writing of the FY2008 and FY2009 budgets under President Bush.

During the Bush Administration an increasing portion of total aid was being delivered by DOD, largely due to the wars in Iraq and Afghanistan involving emergency humanitarian assistance, as well as reconstruction and stabilization activities.⁷ DOD’s role in disbursing foreign aid has its advocates and detractors in State, DOD and the NGO community. NGOs increasingly have voiced their concern about people in military uniforms handing out American aid. Secretary of Defense Robert Gates has stated in the past that DOD personnel do not have expertise or the mission for delivering aid.

Issues and Actions During the Obama Administration

The Barack Obama Administration acknowledges the need to elevate diplomacy and development and, at the same time, acquire the right balance with defense. Transitioning into the Obama Administration, Secretary of Defense Robert Gates, a carryover member of the Bush Administration, stated in early 2009 that there needs to be a balance with development supporting diplomacy and working together with defense to achieve national security goals.⁸ In March 2009, during the FY2010 budget resolution process, Secretary Gates called Senator Conrad, the Chairman of the Senate Budget Committee, to lobby for increased allocations, not for defense, but for the foreign affairs budget. The Defense Secretary told the Chairman that “it is in the Pentagon’s interest to have a healthier foreign aid budget... and that there is a lot being spent out of the Defense Department budget that should be spent out of the State Department budget for Afghanistan and Iraq.”⁹

⁶ Laura Wilson, Former Senior Advisor to Ambassador Randall Tobias, Director of U.S. Foreign Assistance and Administrator, USAID, U.S. Department of State. See *George Bush’s Foreign Aid, Transformation or Chaos*, by Carol Lancaster, Center for Global Development, 2008, p. 33.

⁷ In addition, DOD provides military assistance and training to numerous strategic partners around the world, as well as emergency assistance to countries where natural disasters have occurred, such as the 2004 tsunami in the Indian Ocean and the 2010 earthquake in Haiti. For more on Haiti, see CRS Report R41023, *Haiti Earthquake: Crisis and Response*, by Rhoda Margesson and Maureen Taft-Morales.

⁸ Foreign Affairs, *A Balanced Strategy: Reprogramming the Pentagon for a New Age* by Robert M. Gates, January/February 2009, Vo. 88, Issue 1.

⁹ *Gates lobbies for more funds – for State*, MarineCorpsTimes.com, posted March 30, 2009 http://www.marinecorpstimes.com/news/2009/03/military -gatesmoney -statedepartment_033009w/

Secretary of State Hillary Clinton, emphasizing better integration of defense, diplomacy and development, in July 2009 stated five approaches to smart power:¹⁰

- build stronger mechanisms of cooperation with our historic allies;
- lead with diplomacy, even with those with whom we disagree;
- elevate and integrate development as a core pillar of American power;
- coordinate and make complementary our civilian and military efforts where we are engaged in conflict; and
- strengthen our traditional sources of influence, i.e., economic strength and power of influence.

President Obama's FY2010 budget stated that, "[It]reflects the Administration's commitment to strengthen diplomatic and assistance tools to address current and future challenges that impact the security of the United States."¹¹

Additionally, some would argue, the Obama Administration indicated through its FY2009 foreign assistance supplemental request of \$5.0 billion (including Food for Peace) and its FY2010 foreign assistance budget request of nearly \$35.0 billion (33% higher than the Bush Administration's last foreign assistance regular funding request of \$26.2 billion for FY2009), that it views U.S. foreign aid to be of key importance.

On December 15, 2009, Secretary Gates sent a memo to Secretary of State Clinton proposing shared responsibility and pooled resources for cross-cutting security assistance managed by DOD and State. Two months later in a speech on security assistance, Secretary Gates stated that "...whatever we do should reinforce the State Department's lead role in crafting and conducting U.S. foreign policy, to include foreign assistance, of which building security capacity is a key part. Proper coordination and concurrence procedures will ensure that urgent military capacity building requirements do not undermine America's overarching foreign policy priorities."¹²

In January 2010, Secretary of State Clinton outlined six steps that the Obama Administration is already taking to improve the aid program. Key elements include partnering with aid-recipient countries rather than dictating uses of aid; seeking a "whole-of-government" approach to integrate more fully and coordinate development activities among all aid-implementing agencies, but particularly those involved with defense and diplomacy; and targeting investment and technical support in a few sectors, such as agriculture, health, security, education, energy, and local governance. She emphasized that this does not mean the United States will give up long-term development goals for short-term objectives, or hand over more development work to diplomats and defense experts. "What we will do is leverage the expertise of our diplomats and

¹⁰ Smart power is the balance of hard power (coercive means such as military) and soft power (non-coercive means such as public diplomacy and foreign aid) as they apply to foreign policy. U.S. Department of State, *Foreign Policy Address at the Council on Foreign Relations*, July 15, 2009. <http://www.state.gov/secretary/rm/2009a/july/126071.htm>

¹¹ *A New Era of Responsibility, Renewing America's Promise*, Office of Management and Budget, p. 87, February 26, 2009.

¹² Remarks as delivered by Secretary of Defense Robert M. Gates, The Nixon Center, Washington, D.C., February 24, 2010.

military on behalf of development, and vice versa. The three Ds (defense, diplomacy, development) must be mutually reinforcing.”¹³

These statements, arguably, contribute to the heightened interest in establishing clear foreign aid goals, re-evaluating how effective aid programs are, and revamping how they are administered. Policy makers increasingly recognize the role that foreign assistance can play as a foreign policy/national security tool particularly within the current international environment characterized by regional conflicts, terrorist threats, weapons proliferation, disease pandemics, and persistent poverty. Reflecting this recognition, a number of recent high-profile studies have recommended specific reforms. Out of 14 foreign aid reform studies, 9 studies recommended elevating development to the level of diplomacy and defense, and 6 studies recommended establishing a national strategy for aid.¹⁴

National Strategy

Several foreign aid experts and organizations assert that before foreign aid reform can be successful, a national strategy should be in place to identify the goals for reform and to be able to determine if reform is moving aid in the direction of those goals. The HELP (Helping to Enhance the Livelihood of People around the Globe) Commission, a 21-member bipartisan commission established by Congress in the Consolidated Appropriations Act, 2004 (P.L. 108-199), reported that civilian foreign affairs would be well-served by imposing the same rigor to U.S. foreign assistance planning that is required in formulating the nation’s security and defense policies. These security policies are guided by long-term strategies, developed by the executive branch, and presented regularly to the legislative branch. The Commission recommended requiring a National International Affairs Strategy to further elaborate U.S. international affairs objectives on both global and regional levels, as well as country-by-country. The proposed strategy would also outline government-wide capabilities and assistance needed to achieve these objectives. This strategy would cover all efforts funded by the International Affairs (150) budget function.¹⁵

The Government Accountability Office “recommends that the Secretary of State work with all U.S. government entities involved in the delivery of foreign assistance to develop and implement a comprehensive, government-wide foreign assistance strategy, complete with time frames and measures for successful implementation. Involving other agencies in this effort could include adopting key practices that we have found to sustain and enhance interagency coordination and collaboration in addressing common goals.”¹⁶

¹³ “Development in the 21st Century,” prepared text of the U.S. Secretary of State Hillary Rodham Clinton speech delivered to the Center for Global Development in Washington, D.C., January 6, 2010.
<http://www.state.gov/secretary/rm/2010/01/13438.htm>

¹⁴ CRS Report R40102, *Foreign Aid Reform: Studies and Recommendations*, by Susan B. Epstein and Matthew C. Weed.

¹⁵ *Beyond Assistance*, The HELP Commission Report on Foreign Assistance Reform, December 7, 2007, pp. 95-96.

¹⁶ Government Accountability Office, *Foreign Aid Reform: Comprehensive Strategy, Interagency Coordination, and Operational Improvements Would Bolster Current Efforts*, April 2009, pp. 40-41.

Legislation on Foreign Aid Reform

Many believe that mandating clear objectives for foreign aid, assessing whether or not aid is meeting those objectives, and then reporting on the findings are essential requirements for effective foreign aid reform. Establishing criteria and anticipated results for a more effective foreign aid program will result in elevating the status of development as a foreign policy tool, experts assert. Representative Berman states on the House Foreign Affairs Committee Website that foreign aid reform is a priority; Senator Kerry (Chair) and Senator Lugar (Ranking Member) of the Senate Committee on Foreign Relations, in a dear colleague letter, said: “In order for foreign aid to play its critical role, we must ensure that it is both effective and efficient.”¹⁷

Legislation currently before the 111th Congress includes some of those basic elements. Some have praised the measures as good first steps in reforming foreign aid. At the same time, others have criticized the legislation for not going far enough toward overhauling aid in order to elevate development’s status to where it can help toward reaching U.S. foreign policy goals.

Legislators have differing views on what is needed to adequately reform U.S. foreign aid, but generally agree that reform is needed. Representative Berman believes repealing the Foreign Assistance Act of 1961 and replacing it with a completely new act is necessary to achieve an aid program that reflects the challenges of the 21st Century rather than the old Cold War mentality. A new act could state the broad purposes of assistance, such as reducing poverty, advancing peace, supporting human rights and democracy, building strategic partnerships, combating transnational threats, sustaining the global environment, and expanding prosperity through trade and investment. Flexibility in Washington through broader aid waiver and transfer authorities and streamlined reporting requirements, as well as greater flexibility in providing aid to recipient countries could also be considered. Transparency for the American public to see how their tax dollars are being spent on foreign assistance is another possible goal. Additionally, Representative Berman supports elevating and strengthening USAID to play a greater global development leadership and coordination role.¹⁸

Senator Kerry, Chairman of the Senate Foreign Relations Committee, generally concurs stating in a Senate report that “development is a third pillar of U.S. national security, but in resources and stature, our assistance programs are poor cousins to diplomacy and defense. Bolstering USAID’s relevance is contingent on three areas: (1) attendance at Cabinet meetings; (2) direct access to OMB on USAID’s budget matters; and (3) attendance at all relevant National Security Council meetings.” USAID also should take the lead in the field with the USAID mission director having primary responsibility for coordinating all U.S. development and humanitarian assistance activities in any recipient country, the report said.¹⁹

Senator Lugar, Ranking Minority Member of the Senate Foreign Relations Committee, agrees that USAID should be the leading development agency and urges building USAID capacity by increasing its staffing and training. “To be a full partner in support of foreign policy objectives,

¹⁷ U.S. Senate, “S. 1524: Foreign Assistance Revitalization and accountability Act of 2009” Dear Colleague letter.

¹⁸ Concept Paper for Foreign Aid Reform, House Foreign Affairs Committee, July 23, 2009.

¹⁹ [http://www.congress.gov/cgi-lis/cpquery/R?cp111:FLD010:@1\(sr122\):S.Rept. 111-122 for S. 1524, Foreign Assistance Revitalization and Accountability Act of 2009, February 2, 2010, p. 3.](http://www.congress.gov/cgi-lis/cpquery/R?cp111:FLD010:@1(sr122):S.Rept. 111-122 for S. 1524, Foreign Assistance Revitalization and Accountability Act of 2009, February 2, 2010, p. 3.)

USAID must have the capacity to participate in policy, planning, and budgeting.”²⁰ Both Senator Kerry and Senator Lugar support creating an independent evaluation group to measure and evaluate the impact of all U.S. foreign aid programs across all government entities.

In comparison, a House Foreign Affairs Committee concept paper from the Republican minority states that comprehensive foreign aid reform should occur before increasing aid funding to avoid simply relabeling authorities without addressing the real challenges. Rewriting the Foreign Assistance Act of 1961 alone is not the answer, the paper states. Also, it notes that U.S. foreign aid needs to end “top-down approaches,” giving aid to foreign government ministries’ budgets with little real benefit to the poorest in the country. The Committee minority supports moving countries from aid toward trade and investment programs; efficiency and accountability should be required in determining the compensation of top staff of NGOs involved in foreign aid implementation; multilateral aid program reform should accompany U.S. foreign aid program reform; and objective criteria for assessing when aid recipient countries should graduate from U.S. programs should be included in any aid reform, it says.²¹

Legislation involving foreign aid reform provisions before the 111th Congress include:

On June 10, 2009, the House passed the Foreign Relations Authorization Act, Fiscal Years 2010 and 2011 (H.R. 2410) that includes Sec. 302. Quadrennial Review of Diplomacy and Development (QRDD). This measure would require the President to develop a national strategy on diplomacy and development by December 1, 2010, conduct a quadrennial review every 4 years, and consult with Congress on developing the national strategy.

S. 1524, *the Foreign Assistance Revitalization and Accountability Act of 2009*, was introduced by Senator Kerry, Senator Lugar and others on July 28, 2009. The Senate Foreign Relations Committee reported the bill on November 17, 2009. It would re-establish within USAID a Bureau for Policy and Strategic Planning (closed during the Bush Administration and replaced by F) to be responsible for developing and formulating development policy in support of U.S. policy objectives. The Bureau would ensure long-term strategic planning for development policy and programs across regions and sectors and would integrate monitoring and evaluation into overall decision making and strategic planning. Within that Bureau the bill would establish an Office for Learning, Evaluation, and Analysis in Development to develop, coordinate and conduct the monitoring of resources and evaluation of programs.

The legislation seeks to strengthen and coordinate U.S. foreign aid overseas by directing USAID’s mission director in each country to coordinate all U.S. development and humanitarian assistance there. Furthermore, the bill would establish an independent Council on Research and Evaluation of Foreign Assistance to objectively evaluate the impact and results of all development and foreign aid programs undertaken by the U.S. Government; and it would re-establish a center in USAID to build on what works and learn from what does not.

The bill would improve USAID’s human resources capacity with new hiring and training and, similar to H.R. 2139 (below), promote transparency regarding U.S. aid by requiring

²⁰ *Senate Foreign Relations Committee Holds Hearing on Foreign Aid and Development*, July 22, 2009, p. 4.

²¹ Republican Concept Paper, *Reform of Foreign Assistance for Economic Growth and Opportunity*, Minority views, House Foreign Affairs Committee fall 2009.

the President to publish information, on a program-by-program basis and country-by-country basis, in the *Federal Register*, including what projects are being implemented, as well as their outcomes. This would allow American taxpayers and recipients of U.S. foreign aid to have full access to information on foreign assistance expenditures.

S. 1524 also urges the President to participate in multilateral efforts for international aid transparency, as established on September 4, 2008 at the Accra High Level Forum on Aid Effectiveness.²²

H.R. 2139, *Initiating Foreign Assistance Reform Act of 2009*, introduced by Representatives Berman and Kirk on April 28, 2009 and referred to the House Committee on Foreign Affairs, would require the President to develop and implement, on an interagency basis, a “National Strategy for Global Development,” develop a monitoring and evaluation system, and establish a foreign assistance evaluation advisory council. Like S. 1524, the bill states the sense of Congress that American taxpayers and recipients of U.S. foreign aid should have full access to information on U.S. foreign assistance, that the President is required to publish on a program-by-program basis and country-by-country basis information in the *Federal Register*. The bill urges the President to participate in multilateral efforts to engage in international transparency, as agreed to on September 4, 2008 at the Accra High Level Forum on Aid Effectiveness.

H.R. 2387, *Strategy and Effectiveness of Foreign Policy and Assistance Act of 2009*, introduced by Congresswoman Ros-Lehtinen and others on May 13, 2009 and referred to the House Committee on Foreign Affairs, states the sense of Congress that 1) the Secretary of State and USAID Administrator should make funding decisions on the basis of a long-term strategy that addresses national security, diplomatic, and foreign assistance objectives and the needs of the United States, and 2) foreign affairs agencies’ budget requests should be more effectively integrated with national security objectives, program evaluation, and management. The legislation requires reports for both.

The Quadrennial Review

In recent years, some foreign aid and national security experts have suggested that interagency cooperation on foreign policy objectives and improvements in U.S. national security with a “whole-of-government approach” could emanate from a foreign affairs quadrennial review process similar to DOD’s Quadrennial Defense Review (QDR) that assesses whether U.S. national defense strategy supports U.S. national security objectives.²³ In 2007, for example, the HELP Commission recommended a Quadrennial Development and Humanitarian Assistance Review (QDHR) to require that U.S. development efforts be reviewed every four years to evaluate their effectiveness. According to the Commission, this review should propose any needed changes to U.S. development objectives and how the government approaches them. The contents of this document should influence both the National Security Strategy (NSS) and the

²² Ministers from one hundred countries (including the United States), heads of bilateral and multilateral donor agencies, as well as leaders of nongovernmental organizations met in Accra, Ghana in September 2008 to improve foreign aid effectiveness.

²³ In 1993, DOD conducted its forerunner to the QDR—a bottom up review ordered by then-Secretary of Defense, Les Aspin. The National Defense Authorization Act (NDAA) for 1997 (P.L. 104-201) ordered the first QDR. The National Defense Authorization Act, FY2000 (P.L. 106-65) made the requirement permanent. U.S. Department of Defense, Defense Link, July 11, 2001, <http://www.defenselink.mil/news/newsarticle.aspx?id=44739>

National International Affairs Strategy (NIAS) and should be modeled on the Quadrennial Defense Review. Reviews might also be conducted for other functions of civilian foreign affairs.²⁴

Many in the 111th Congress and the Obama Administration agree on establishing a quadrennial review for the civilian foreign affairs agencies. While the President can establish a quadrennial review without congressional action, having it in statute would ensure that a review will take place every four years, regardless of future presidential priorities.

Congressional Action

The House-passed Quadrennial Review of Diplomacy and Development (QRDD) measure (Sec. 302, H.R. 2410), in conjunction with requiring the President to develop a national strategy on diplomacy and development, would require the President to:

- conduct a review every 4 years during a year following a year evenly divisible by four, to determine how well the national diplomacy and development strategy is being met;
- report the findings of the QRDD to Congress and establish an independent panel to assess the findings.

The measure calls for first quadrennial review to occur in 2013 and include:

- all elements of the national diplomacy and development strategy,
- roles and responsibilities of Federal departments and agencies how they will coordinate and cooperate to implement the strategy,
- a projection of the budget needed to successfully execute the national diplomacy and development strategy, and
- recommendations that are not constrained by the President's budget request for the coming year.

Executive Branch Action

On July 10, 2009, Secretary of State Clinton launched a new Quadrennial Diplomacy and Development Review (QDDR), modeled after the Pentagon's Quadrennial Defense Review. The primary goal of the QDDR, according to Department of State officials, is to strengthen the institutional capabilities of the civilian foreign affairs agencies to meet 21st Century demands. The focus, they say, will be on the diplomacy and development tools that currently exist and how to make them more effective, agile, and complementary. The review will also consider what State and USAID capabilities will be needed in ten years, and what needs to be done to achieve them. The intention, according to Secretary Clinton, is to elevate diplomacy and development as key pillars of our national security strategy. Initiating the QDDR is just the beginning of a longer-term process to institutionalize an ethic of review, analysis, and responsiveness, the Secretary believes.

²⁴ *Beyond Assistance, the HELP Commission Report on Foreign Assistance Reform*, December 7, 2007, p. 96.

QDDR Structure

Jack Lew, the Deputy Secretary of State for Management and Resources, is leading the QDDR, along with Anne-Marie Slaughter, State's Director of Policy and Planning, and Rajiv Shah, Administrator of USAID, as co-chairs, under the direction of the Secretary of State.²⁵ The co-chairs established a QDDR team with senior level experts from State, USAID, and nongovernmental representatives. The Secretary of State, in consultation with the QDDR team, established five areas of strategic focus which became the five QDDR working groups.²⁶ They are:

- *Building a Global Architecture of Cooperation.* This working group is exploring what capabilities are needed to address global challenges and how to leverage international partnerships to provide solutions. Within this working group are four sub-groups: 1) bilateral mechanisms, 2) multilateral mechanisms, 3) partnerships beyond governments, and 4) strategic communications and technology.
- *Leading and Supporting Whole-of-Government Solutions.* This working group is examining the institutional roles of USAID and the Department of State in implementing interagency, whole-of-government approaches to U.S. foreign policy; considering how to elevate and strengthen State and USAID in Washington and in the field, including integrating key government agencies' contributions such as civilian-military joint planning and coordinating of country teams and field operations. Three subgroups include: 1) defining internal State/USAID roles and promoting collaboration in policy, planning and solutions, 2) integrating contributions of key U.S. government stakeholders, and 3) organizing in the field.
- *Investing in the Building Blocks of Stronger Societies.* This working group is investigating the ability of State and USAID to have long-term impacts overseas and how current approaches can be improved to promote economic growth, food governance, and security. Two sub-groups are: 1) achieving development objectives and 2) building security capacity.
- *Preventing and Responding to Crises and Conflicts.* This group is examining conflict prevention and response and how development and diplomacy tools can be quickly and efficiently deployed in a variety of situations and environments. This group is considering the building of civilian operations capabilities for humanitarian, stabilization and reconstruction challenges, as well as for civil-military interaction and cooperation to partner more effectively with the Department of Defense. Subgroups include 1) civilian capacity, 2) civil-military interaction, and 3) targeting prevention.
- *Building Operational and Resource Platforms for Success.* This working group is assessing what changes are necessary to allow the Department of State and USAID to fully carry out their functions in U.S. foreign policy. Hiring and

²⁵ Alonzo Fulgham, Acting Administrator of USAID, initially acted as co-chair on the QDDR before Shah was sworn in as USAID's Administrator on January 7, 2010.

²⁶ Information on the five working groups was provided in a December 29, 2009 email from the Quadrennial Diplomacy and Development Review Team, Office of Deputy Secretary Lew.

training of personnel, budget planning and process reporting, contracting, oversight and procurement systems are some of the elements being considered in this group. Sub-groups include: 1) human resource strategic analysis, 2) outsourcing and contracting analysis, and 3) resource management analysis.

Timing of Report

As of January 2010, reportedly, all working groups had submitted their interim reports and had their interim reports reviewed with the QDDR chairs and co-chairs. The working groups' findings will be summarized in one interim report that is expected to be sent to the House Foreign Affairs Committee (HFAC) and the Senate Foreign Relations Committee (SFRC) some time in April. The interim report will also be made available to the public. A final QDDR report is expected to be completed and released in September 2010. That may be too late for it to have an impact on the FY2011 budget and, with this year's compressed congressional schedule because of mid-term elections, it is unlikely that any related authorizations will be passed by Congress this year. Some do, however, expect the QDDR to have an impact on the FY2012 budget and may require new statutory authorities to be passed by the 112th Congress.

Initial Concerns

While many in the foreign policy and development community support having a quadrennial review, some have expressed concerns. Foreign aid reform proponents fear that the QDDR could be used as a stall tactic to wait for the review before passing a foreign aid reform package. Others are concerned that it could be used to weaken USAID. Having numerous staff work on a QDDR at a time when both the Department of State and USAID are short-staffed creates an opportunity cost of what those staff members could otherwise be doing. Further, some development experts are concerned that the quadrennial review will give a higher priority to short-term strategic diplomacy goals over long-term development goals. And some question whether Congress will be able respond to the findings by passing any necessary corresponding legislation to address the organizational structure issues, perceived shortage of USAID skilled personnel, and aid funding.

Observers have cautioned against expecting too much from the QDDR. Both then-Secretary of State Powell's Fiscal Years 2004-2009 Strategic Plan (done in cooperation with USAID) and certain past Defense QDRs, for example, resulted in wish lists with little attention paid to reality and available resources, experts say. The possibility that a quadrennial review could be a one-time exercise that does not result in elevating status and resources for diplomacy and development causes some concern.

Those who are familiar with DOD's QDR compare DOD's ability to set priorities with the difficulty that State and USAID have had in this area. The items and actions in DOD's program and budget (number of planes, number of tanks, more peace and stability in a war zone) are often measurable. The civilian foreign policy agencies, on the other hand, cannot always easily judge one country's development being more important than another or measure sustainable economic development. Since diplomacy and development success is harder to measure in four years, particularly if a country that is transitioning toward democracy has a setback, or a civil or natural emergency occurs, it may be more difficult to conduct a quadrennial review with clear conclusions that can be built upon every four years thereafter.

The Presidential Study Directive on U.S. Global Development Policy

On August 31, 2009, President Obama signed a Presidential Study Directive on U.S. Global Development Policy (PSD) authorizing a U.S. government-wide review of global development policy (<http://www.modernizingforeignassistance.org/blog/2009/09/02/white-house-joins-the-party-on-development-policy/>). This inter-agency review signals an interest in a more coordinated and strategic approach to development policy. It will evaluate existing U.S. development activities, going beyond the Department of State and USAID to include Departments of Defense, Treasury, Agriculture and others in seeking to meet the complex challenges of the day, including global poverty, hunger and disease, as well as conflicts in Iraq and Afghanistan.

The PSD process is co-chaired by National Security Advisor James Jones and National Economic Council Director Lawrence Summers. An interagency committee representing 16 government departments and agencies is conducting the study. The committee is chaired by the National Security Council Senior Director for Development and Democracy, Gayle Smith. The committee's work will be reviewed by both the National Security Council and the National Economic Council. While the final study, which is expected in April 2010, will be provided exclusively to the President, the PSD team has consulted with House and Senate foreign affairs committee staff and will consult with those committees in the future on the findings, according to an NSC official involved with the PSD. Senator Lugar said in January 2010, however, that "it is uncertain when, or if, we will know the outcomes of the PSD."²⁷

The PSD is being conducted at the request of the President to formulate a global development policy for the entire executive branch, unlike the QDDR which was initiated by the Secretary of State and is being conducted by the Department of State and USAID to improve their institutional capabilities and resources. According to Administration officials, the two processes are coordinated, complementary, and mutually reinforcing; senior officials leading the QDDR are also members of the committee carrying out the PSD.²⁸

Conclusion

Whether or not the 111th Congress addresses foreign aid reform depends upon the time demands created by intervening domestic and international issues deemed by congressional leadership to have higher priority, such as financial reform, climate change, or appropriations bills on both House and Senate floors. Nevertheless, new foreign aid reform legislation is expected to be introduced in 2010. Beyond that, QDDR interim reports and final conclusions, as well as the conclusion of the PSD, may have funding implications for the FY2012 foreign affairs budget and may create a need for new authorizing legislation in the 112th Congress.

Possible passage of legislation by the 111th Congress requiring a national strategy and putting in statute the QDDR could provide a greater understanding of the costs and benefits of diplomacy

²⁷ Speech by Senator Richard G. Lugar, *Foreign Assistance and Development in a New Era*, given at the Society for International Development, January 28, 2010.

²⁸ Emailed information from the National Security Council, December 30, 2009.

and foreign aid. Building on those efforts, congressional action on foreign aid reform, whether in the form of a “first step” measure or landmark legislation might, in the short run, improve the cost effectiveness of foreign aid (with better monitoring and assessment of what works and what does not) and provide more performance-related results in future years – efforts, perhaps, that American taxpayers, national security experts, and development proponents could mutually support.

Author Contact Information

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