

July 21, 2015

U.S. Agency for International Development: An Overview

Background

The U.S. Agency for International Development (USAID) is the leading international humanitarian and development arm of the United States government. Its programs also support the political and strategic aims of the United States by providing assistance to strategically important and conflict countries, and assist U.S. commercial interests by furthering the economic growth of developing countries and building these countries' capacity to participate in world trade.

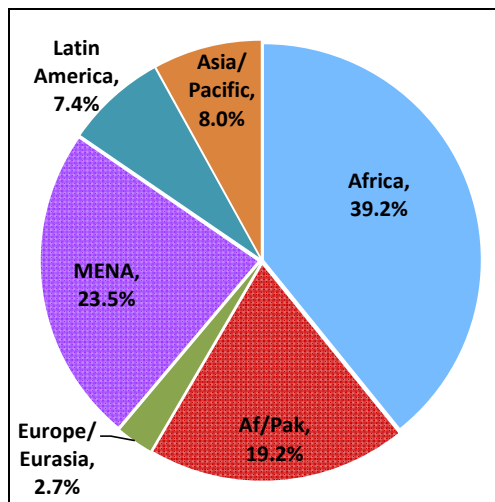
In FY2015, USAID is responsible for more than \$20 billion in appropriations, representing more than one-third of the International Affairs 150 budget function and more than half of total foreign assistance encompassed by the State, Foreign Operations Appropriations (SFOPS) and international food aid appropriated under the Agriculture Appropriations. USAID's annual appropriations come from 13 different budget accounts—most “solely-owned” and some shared with the Department of State and other agencies, making any calculation of its current budget somewhat imprecise.

We partner to end extreme poverty and to promote resilient, democratic societies while advancing our security and prosperity. USAID Mission Statement

USAID maintains more than 60 country and regional missions that design and manage a wide range of development projects, most intended to meet specific development objectives as formulated in a Country Development Cooperation Strategy. Most projects are implemented through some form of grant, cooperative agreement, or contract by one of thousands of potential development partners—such as U.S. nonprofit private voluntary organizations and other non-governmental organizations (NGOs), U.S. for-profit contractors, universities, international organizations, and foreign partner governments, civil society, and the private sector.

USAID currently provides assistance to over 100 countries, including 78 of the 84 low and lower-middle income countries. Foreign aid allocations reflect both recipient needs and U.S. foreign policy priorities. Suggestive of the strong foreign policy purpose behind many USAID activities, the top 10 recipients of USAID-implemented funds in FY2013 were Afghanistan, West Bank/Gaza, Jordan, Pakistan, Syria (for refugees), Ethiopia, Kenya, South Sudan, Nigeria, and Egypt. In FY2013, nearly 40% of funds attributable to countries and regions went to sub-Saharan Africa and more than 19% went to Afghanistan and Pakistan (**Figure 1**).

Figure 1. USAID-Implemented Program Funding by Region: FY2013

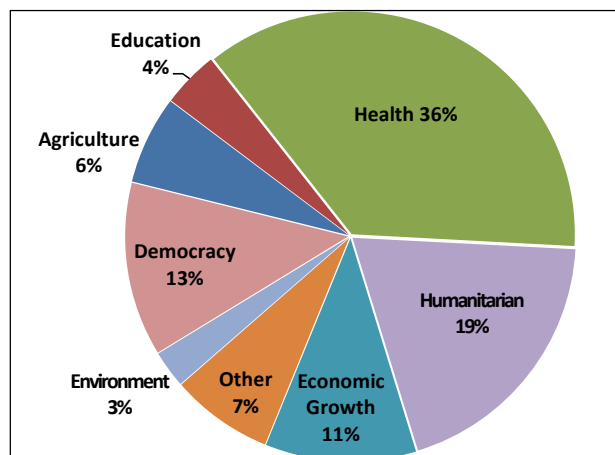


Source: USAID U.S. Overseas Loans and Grants (<https://eads.usaid.gov/gbk/>) and CRS calculations.

Note: Af/Pak = Afghanistan/Pakistan; MENA = Middle East and North Africa.

Of funds attributable to a specific sector (**Figure 2**), 36% went for health programs and 19% for humanitarian efforts. Since the early 1990s, health programs have consistently been the largest USAID assistance sector, bolstered since 2004 by billions of dollars in transfers from the Department of State's President's Emergency Program for AIDS Relief (PEPFAR). Humanitarian aid, too, has increased significantly in recent years, particularly in response to the 2004 Indian Ocean earthquake and tsunami, the 2010 Haiti earthquake, and the 2014 Ebola epidemic.

Figure 2. USAID-Implemented Program Funding by Sector: FY2013



Source: USAID, U.S. Overseas Loans and Grants (<https://eads.usaid.gov/gbk/>) and CRS calculations.

USAID Forward

Since 2010, under its USAID Forward agenda, the agency has undertaken numerous reforms. Among these:

- **Local Solutions.** In order to help ensure that USAID objectives are maintained after its project efforts end, i.e., are made more sustainable, USAID has focused increasing amounts of funding on working with local governments, civil society, and the private sector to implement development programs and develop local capacities. Excluding Afghanistan and Pakistan, 15.1% of program funding went through local entities in FY2014.
- **Evaluation.** To improve its learning process, USAID has required more evaluations and has established improved indicators by which it can measure project progress.
- **Science, Technology, and Innovation.** To invigorate its historic leadership in applying science and technology to development problems, USAID established a Global Development Lab and multiple programs seeking solutions from scientists, universities, and the broader public for a range of development challenges.
- **Private Sector Funding.** Building on existing efforts to leverage contributions to development from private resources, USAID has expanded public-private partnerships and increased use of its Development Credit Authority.
- **Policy and Budget Capacity.** To restore capacities lost to the State Department in a 2006 reorganization, USAID re-established offices of policy and budget.

While these reforms are on-going, most are associated with former-USAID Administrator Rajiv Shah (January 2010-February 2015). A new administrator may bring a different set of operational and policy priorities to the agency.

Challenges

USAID faces multiple challenges in the process of fulfilling its mission, in part due to the setting in which it often operates—developing countries. Among the continuing and new challenges that observers have noted and the Congress may track closely are the following:

Local Solutions. Working more closely with local governments, civil society, and private business presents multiple challenges to USAID, the greatest of which is accountability concerns as increasing amounts of U.S. taxpayer dollars are directed through local entities in at times corrupt societies. Efforts to mitigate risk generally require more personnel and consequent funding to monitor local entities and build their capacities.

Sustainability. How can USAID ensure that project efforts are maintained by local governments and organizations after U.S. financial and technical support ends? One USAID response is the Local Solutions initiative that seeks

to build “country ownership” for development objectives. Another is more resource mobilization efforts—projects to develop a government’s capacity to collect revenue to support development. A clear path to sustainability remains a work in progress.

Human Resources. Despite increased number of USAID Foreign Service Officers in recent years, the agency still faces shortages of specific skill sets—for example, contract officers and program officers to meet the needs generated by the on-going effort to work more closely with local government and private sector partners, and agricultural specialists to develop and implement Food Security Initiative projects. Staff retention, especially of foreign nationals, lack of language and skill training, and a lack of travel funds to monitor projects are continuing human resource concerns.

Program Flexibility. Congressional funding mandates, specifying amounts for health, biodiversity, and other sectors, account for as much as two-thirds of USAID’s annual program budget. These, plus a host of presidential initiatives, are viewed by many observers as restricting the ability of USAID mission personnel to program project activities in accordance with development professional and partner country priorities. Some critics believe that many legislative conditions further stymie flexibility—most food aid, for example, must be provided in the form of U.S. produce and shipped on expensive U.S. freighters instead of purchased with cash locally near a food emergency site.

Scaling-Up. Innovations in science, technology, and development practice are usually tested with pilot programs in one province in one country. Seeing successful ideas from pilot through to maturity and making them work at the country, region, and international level likely requires a long-term funding horizon, programming flexibility, and mechanisms to spread ideas throughout the agency—each a challenge in itself.

Security. Security concerns in non-permissive environments, such as South Sudan and Afghanistan, raise numerous obstacles to successful project implementation, including restricted access to local projects for monitoring purposes and finding contractors willing to take the risk of establishing a local presence. In “normal” countries, security concerns have often caused the co-location of USAID in isolated and extremely secure U.S. embassies that discourage the interaction with local government and private sector considered necessary by many observers for successful development programs.

For further background on the agency and related issues, see CRS Report R44117, *U.S. Agency for International Development (USAID): Background, Operations, and Issues*, and CRS In Focus IF10183, *U.S. Foreign Assistance*.

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