



DEVELOPMENT DERAILED:

HOW TO PUT U.S. FOREIGN AID POLICY ON A BETTER TRACK

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DEVELOPMENT DERAILED: HOW TO PUT US FOREIGN AID POLICY ON A BETTER TRACK

*Henry M. Jackson School of International Studies
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GLOSSARY

AGOA African Growth and Opportunity Act
APWO Association of Private Water Operators
ATPA Andean Trade Promotion Act
ARO Afghanistan Relief Aid Organization
BRM Office of Budget and Resource Management
BTA Bilateral Trade Agreements
CBI Caribbean Basin Initiative
CRD DFID Central Research Department
CRS Congressional Research Service
DAI Development Associate International
DARPA Department of Defense Advanced Research Projects Agency
DevLab USAID Development Lab
DFI Developmental Finance Institutions
DFID U.K. Department for International Development
DoAD Department of Aid and Development
DoS Department of State
EBA Everything But Arms
ERF Emergency Response Funds
FA Act Foreign Assistance Act
FAD Foreign Assistance Dashboard
FDI Foreign Direct Investment
FEMA Federal Emergency Management Agency
FTA Free Trade Agreements
FY Fiscal Year
GATT General Agreement on Tariffs and Trade
GDP Gross Domestic Product
GNI Gross National Income
GPE Global Partnership for Education
GSP Generalized System of Preferences
IAC International Aids Conference
IAF Inter-American Foundation
IBRD International Bank for Reconstruction and Development
IDA International Development Association
IFC International Finance Corporation
IDEA-NEW Incentives Driving Economic Alternatives for the North, East, and West
IMF International Monetary Fund
IRS Indoor Residual Spraying
ITN Insecticide-Treated Mosquito Nets
LDC Least-Developed Country

LTPR Land Tenure and Property Rights
MCC Millennium Challenge Corporation
MDG Millennium Development Goals
MIGA Multilateral Investment Guarantee Agency
NAMA Non-Agricultural Market Access
NCDC Nigerian Center for Disease Control
NGO Non-Governmental Organization
ODA Official Development Assistance
OECD Organization for Economic Cooperation and Development
 DAC Development Assistance Committee
OFAC Office of Foreign Assets Control
OGP Open Government Partnership
OPIC Overseas Private Investment Group
PDA Private Development Assistance
PEPFAR President’s Emergency Plan for Aids Relief
PMI President’s Malaria Initiative
PPP Public-Private Partnerships
QDDR Quadrennial Diplomacy and Development Review
ROO Rules of Origin
SSA Sub-Saharan Africa
TCB Trade Capacity Building
TIE Office of Transparency, Innovation, and Efficiency
UN United Nations
UNICEF United Nations Children’s Fund
USADF United States African Development Fund
USAID United States Agency for International Development
USD United States Dollar
USTDA United States Trade and Development Agency
WB World Bank
WBG World Bank Group
WHO World Health Organization
WTO World Trade Organization

EXECUTIVE SUMMARY

There are three central subdivisions to American foreign policy: diplomacy, defense, and development aid. Both defense and diplomacy are housed in cabinet-level departments – the Department of Defense (DoD) and Department of State, respectively – while development remains a comparatively neglected initiative. This is unfortunate because when utilized properly, development, manifested through foreign aid, is a cost-effective, mutually-beneficial method of simultaneously improving global living standards and serving American interests.

Today, American distribution of aid is an overly complex, frequently inefficient system of competing interests that is not able to reach its potential. A comprehensive reform of American foreign aid is needed, beginning with the creation of the cabinet-level Department of Aid and Development (DoAD). This consolidation of American aid agencies and the elevation of international development to a cabinet-level department is essential to improving the effective distribution of American foreign aid and cultivating self-sufficiency within aid-recipient nations.

We propose the following reforms:

- Creating a cabinet-level Department of Aid and Development to cultivate sustainability in aid-recipient countries
- Consolidating the existing Foreign Aid budget into the Department of Aid and Development's jurisdiction
- Placing Coordination Officers in aid-recipient countries and hold sector-wide conferences to increase the efficacy of development initiatives
- Improving evaluation methods to institutionalize a commitment to transparency
- Encouraging trade, tariff, and investment reform to promote investment in, and market access for developing countries

In this report we will discuss the merits of foreign aid distribution, illustrate the history of American foreign aid, examine the current system and the manners in which it is ineffective, and propose how to improve foreign aid policy to increase the efficacy of international development.

Section I

**The Merits and Demonstrated Effectiveness of Foreign Aid
Distribution**

The Merits of American Foreign Aid Distribution

Brett Busch and Rina Kim

Development, defense, and diplomacy are critical tools of United States foreign policy, though development – in the form of foreign aid – is in need of reform rendering it more efficient and effective. The United States must strengthen its foreign policy commitment to international development and continue the distribution of foreign aid. Given the privileged position of the United States as a wealthy, developed nation, and the prevalence and persistence of poverty around the world, it is our belief that foreign aid must be distributed for moral reasons. Further yet, foreign aid distribution yields benefits for the United States in economic, political, security, and health sectors.

Foreign Aid and Morality

Alleviating global poverty is a moral cause that we believe is worth pursuing. There is an unjustifiable amount of suffering in the world, and the United States is in the position to help.

“We are a people with the strength and generosity of spirit to bridge divides, to unite in common effort, and help our neighbors, whether down the street or on the other side of the world.”

President Barack Obama,

2015 State of the Union Speech

There are almost 3 billion people in the world that struggle to survive on less than \$2 a day.¹ Meanwhile, Americans comprise only 5% of the world’s population, but consume over 20% of the world’s resources.² It is argued that only 0.5% of the income of the top 20% income earners in the United States would be more than enough to double the income of 20% of the world’s poor.³ Put simply, the United States enjoys an unprecedented level of wealth and prosperity while a considerable portion of the world lives in abject poverty. This knowledge, paired with the grim fact that many of the world’s poor are dying from preventable and poverty-related deaths, support the conviction that it is the correct and moral thing for the United States to try and help these people given its ability to do so.

We argue that the United States is abundantly wealthy and thus has the potential to help improve the living standards in poorer countries. The United States is not the kind of nation that turns its back on this level of suffering when it has the resources to ameliorate the situation. In doing so, the United States is not giving up anything of comparable moral significance, as the combined value of all United States foreign aid is less than 1% of United States government spending.⁴

This moral position is held by the majority of American, as reflected in the large number of Americans that engage in aiding others through informal and private channels such as private charities and NGOs.⁵ Furthermore, the American nation has an extended history of supporting and even spearheading many efforts that appeal to the morality of human beings and human rights, such as contributing to the creation of the Universal Declaration of Human Rights.⁶ As a nation with a history of aid distribution, considerable wealth, and a public in support of foreign aid, the United States must continue to strive to be the nation that helps its less fortunate neighbors.

In his 2015 State of the Union speech, President Barack Obama noted that “we are a people with the strength and generosity of spirit to bridge divides, to unite in common effort, and help our neighbors, whether down the street or on the other side of the world.”⁷

In other words, if there is suffering in the world that the United States can play some role in alleviating, the United States must be a country that does so. Encouraging development through foreign aid is a tool to achieving this goal.

Consolidating Political Capital

In addition to being altruistic, foreign aid distribution is also to the United State’s direct benefit. The correct use of foreign aid is worth the investment and is in the country’s best political, economic, security, and health interests.

Nations need more friends than enemies in order to achieve their foreign policy objectives. The United States is a nation with considerable interests abroad, and if it is to maintain its position as a global leader, it is must lead in a manner that is favorable to the interests and principles of other nations. The more that the world views the United States favorably, the better.

Foreign aid distribution is positively associated with the long-term ‘mutuality’ links that exist between donor and recipient countries.⁸ In other words, the United States will be viewed more favorably if other countries consider the nation’s work abroad as a benefit rather than a threat. This means that the United States should continue to help disadvantaged countries and populations if it desires to maintain positive diplomatic relations with the rest of the world. President George W. Bush echoes this sentiment, articulating “If we’re an arrogant nation, they’ll resent us; if we’re a humble nation, but strong, they’ll welcome us.”⁹

When nations see the United States as a force for good, the United States can accumulate more political capital to achieve its foreign policy objectives. In the past, the United States cultivated large amounts of political capital after World War II by aiding European allies through foreign

assistance distributed through the Marshall Plan, and by providing assistance to democratic allies during the Cold War.

The United States needs to maintain this level of influence today. For example, the United States has placed economic sanctions on countries such as Iran and Russia, as both of these countries have proved problematic for the United States. For the United States to be able to effectively curb Russia and Iran's advances, it needs support from the international community. The United States could attempt to place unilateral economic sanctions on countries like Iran and Russia, but without international support and cooperation, isolated American efforts would lose their effectiveness.

American leadership is called into question when the United States retreats from its claims to global involvement when inconvenient. For the most wealthy and least taxed nation in the industrialized world to not engage in foreign aid undermines American diplomatic goals and its global leadership position.¹⁰ The United States must help disadvantaged nations if it desires to maintain favorable diplomatic relations with the rest of the world and build support to achieve other foreign policy objectives.

Foreign Aid and Economic Returns

Assisting nations in the development process benefits the United States because it improves its own economic environment. Foreign assistance is economically propitious to the United States because it promotes self-reliance, which opens new markets for American goods, and relieves poverty, which can return jobs to the United States.

Sustainability and new markets

Foreign aid promotes prosperity and sustainability in aid-recipient countries and thus opens new markets for the United States. Sustainability in aid-recipient nations is also beneficial because it eventually results in lowered aid expenditures for the United States, as these formerly developing nations become viable economic partners, creating more consumer markets for American products to flourish while also bringing in cheaper goods for domestic purchase, and opening the door to undiscovered energy hubs.

South Korea's rapid growth in the aftermath of the Korean War is an effective example of how foreign aid opened new markets for the United States. When the war ended in 1953, a significant amount of aid went to South Korea to build and develop stable domestic institutions. Today South Korea is one of the world's largest and most successful economies, and is actually a significant donor of foreign aid itself.¹¹ It is currently the sixth largest trading partner for the United States with approximately \$114 billion in total traded, which has contributed to the growth of the

American GDP by hundreds of billions of dollars.¹² As a world leader in technological innovations, trade with South Korea has brought a variety of useful and popular products to the American consumer, such as Hyundai, Kia, and Samsung. Given these successes, it is abundantly clear that foreign aid to South Korea has improved both South Korean and American economies.

A more contemporary example of foreign aid and its economic benefits to the United States is Colombia. In 2001, the United States created a program in which Colombia would receive foreign aid in order to stabilize itself after its economic recession and experience with narco-terrorism.¹³ With this assistance, Colombia's economy was able to leap forward and is now the western world's fastest growing major economy, behind only China. Colombia also leaped from being Latin America's fifth largest economy to now being projected as its second largest.¹⁴ Aiding Colombia is also beneficial to the United States, with trade quadrupling since 2001, which is an increase of more than \$30 billion with a positive trade balance.¹⁵ In addition, Colombia is an important market for the United States as its blossoming economy provides imports such as crude oil, coffee and gold, and helps the American agriculture sector by purchasing exports of agricultural products and organic chemicals. The United States is also beginning to invest in Colombia's rapidly growing manufacturing and mining sectors, projected to yield high returns for Americans.¹⁶

African countries, specifically sub-Saharan African countries, have previously been examples of foreign aid's pitfalls. Although Africa has clearly had its difficulties with the utilization of the aid that it has received, its economic potential for itself and the United States cannot be forgotten. Since most African nations have very low levels of development, almost 75% of the world's least developed nations,¹⁷ great expanses of land, and is the world's second largest and second most populated continent,¹⁸ it has high potential for growth.

Given this potential, foreign aid to Africa that is focused on economic statecraft establishes sustainable infrastructure, improves the operating environment for business, and enhances market access creates opportunities for a mutually beneficial relationship with businesses in the world's top agriculture exporting country, the United States.¹⁹ Recent discoveries in Africa have found valuable natural resources including oil, natural gas, coal, and minerals.²⁰ Aid to these promising, extraction industries can build inclusive economic systems that benefit entire populations of Africans, instead of generating extreme inequality and dangerous organizations that the sector is known for. This benefits the United States by closely investing in growth that provides these important resources, which drive its own economy.

Assistance to Africa has already helped to modernize and transform the business climate in Africa. For example, the continent now has more mobile phone subscriptions than the United States has people²¹ and this boom in mobile phone use offers opportunities for American companies in

software, telephones, technology, and more to expand abroad.²² The World Bank reports that Africa is “on the brink of an economic takeoff, much like China was 30 years ago and India 20 years ago,”²³ and thus it is increasingly important to continue foreign aid distribution as a means of alleviating poverty and beating global competitors to this emerging epicenter.

Poverty relief and American jobs

Foreign aid also works to relieve poverty, and in doing so, benefits the American economy. Poverty has substantial economic implications, such as preventing American exports from enjoying maximized success abroad. Another significant implication is that poverty stricken populations will work for much lower wages, attracting businesses to move labor production overseas, moving jobs out of the United States. Foreign aid is a powerful tool of alleviating suffering²⁴ as well as growing markets and returning jobs to the United States, as businesses will it increasingly costly to keep their jobs overseas.

The United States is importing more valuable and technologically advanced goods and services than ever before, but also has sophisticated goods and services to export. However, if foreign customers can neither afford nor use these exports, export-oriented American businesses cannot maximize their profits. Alleviating poverty directly increases the amount of money that is spent worldwide and raises sales profits for businesses with more purchased commodities.²⁵ The positive economic impact of poverty alleviation through foreign aid is exemplified by China. China’s poverty reduction and explosive growth in the past thirty years has resulted in the rise of the largest consumer market in the world. If American foreign aid continues to alleviate poverty and eliminates it all together, more than one billion people would enter into the economic foray and could purchase American goods.²⁶

Another benefit of foreign aid reducing poverty on a global scale is the possible movement of American manufacturers back to the United States as a result of raised wages and production costs in the impoverished nations in which they previously sought economic reprieve. A population that escapes from poverty is bound to thoroughly enjoy the luxuries that more money can bring, and will seek to get paid better for working. This can be seen in a historical analysis of industrial and post-industrial Europe and United States. Businesses, on the other hand, are seeking the lowest production cost in order to increase profit margins. In the past, many American corporations looked towards Asia and other developing nations for a cheap source of labor, but now many are moving back to the United States of a surge in wages in those countries which render overseas production increasingly expensive.²⁷ In 2013, the Wall Street Journal reported the results of a survey conducted by the Boston Consulting Group in August that same year. It found that 38% of United States-based manufacturers were shifting production back home or were seriously considering the action. Plenty of companies including General Electric, Whirlpool, and Caterpillar

have either “reshored” or announced the move in the past few years.²⁸ Poverty reduction has served to better distribute the wealth to those previously impoverished populations and as a result, has made American workers more competitive. Foreign aid can help lend an important hand to job seekers in the United States by reducing poverty abroad and subsequently bringing work back home.

In 2013, 38% of United-States based manufacturers working overseas opted to shift production back home as the cost of production overseas rose as a function of poverty alleviation.

Foreign aid distribution by the United States has serious positive, economic consequences. Its promotion of prosperity and self-reliance leads to the creation of new markets for American corporations and investors. Foreign aid aimed at alleviating poverty creates new consumer bases for businesses, and incentivizes the manufacturing industry to return to the United States.

Therefore, in addition to strong moral and political justifications for the continued distribution of foreign aid, the overwhelmingly positive economic benefits of its practice must also be considered as a key component of foreign aid’s ability to contribute to American foreign policy objectives.

Foreign Aid and American Security

Foreign aid plays a vital role in the security of the United States by stabilizing dangerous nations and promoting good governance. Civilian and military leaders alike agree that foreign aid as a tool to increase national security must be continued in the future. Assistance to foreign nations can help stabilize a country or region that is facing a threat the United States wants to contain. Foreign aid may also be used to promote democracies that have the power to govern effectively and independently and foster productive relationships with the United States.

Stabilization of nations

Failed states, which often suffer from debt, rampant poverty, and poor leadership, are at risk of falling prey to violence and extremism from insurgent and terrorist organizations, often which have a desire to inflict harm upon the United States and its allies. Failed states are unable to defend themselves against external threats and their weak governments provide ample ground for extremist groups to flourish. A key example of this is found with ISIS’ expansion into Libya. Failed states are also home to impoverished and desperate populations which are more likely to adhere to the ideology of an extremist group which offers a promise of a better life.

American foreign aid has been utilized to stabilize regions so as to prevent extremism from taking root. The Marshall Plan regrew a war-torn Europe into a democratically allied bulwark against the forces of tyranny.²⁹ Furthermore, the spread of terrorism in the 21st century has forced presidents

and policy makers to refocus national security strategy on fostering international development programs that secure greater peace. After the September 11 attacks, the United States worked to consolidate the threat of al-Qaeda.³⁰ The United States has thus provided foreign assistance to emerging and fragile states in the Middle East, such as Egypt and Pakistan, in order to continue shaping and influencing the choices of those governments in a manner that prevents groups such as al-Qaeda from flourishing.³¹ The goal of foreign aid can thus work to stabilize nations as a means of preemptively stopping extremism from harming the United States.

Promoting good governance

Promoting worldwide democracy has been a goal of the United States since the beginning of the Cold War. Democratic nations are inherently more accountable to their citizens, enjoy greater civil liberties, are more transparent, and have a strong mutual trust between one another,³² a phenomenon

In 1972, there were only 40 democratic countries worldwide. Today there are 126, and the United States has provided aid to 75% of these emergent democratic nations.

widely regarded as the “democratic peace theory.” The positive potential of democratic nations has propelled the United States to actively foster this form of governance wherever possible, and foreign aid has contributed substantially in this undertaking. Between 1972 and today, the number of worldwide democracies has exponentially grown from 40 to 126 democratic countries,³³ and American foreign aid from has provided assistance to nearly 75% of these countries.³⁴ Providing this form of aid remains important today in the context of fledgling democracies such as Egypt and Tunisia, who have the potential to become invaluable democratic allies due to their geostrategic positions.

Foreign Aid and International Health

Although the United States boasts a developed healthcare system and has largely eradicated dangerous diseases on its own soil, many dangerous diseases such as Ebola and even the Measles exist in other parts of the world. In an increasingly globalized world, health problems from one country can quickly cross borders and enter the United States. Foreign aid is a tool that can remedy this threat to the United States by contributing to the eradication of diseases and spread of pandemics worldwide by investing in the healthcare infrastructure of developing nations.

The eradication of diseases

Attempts to prevent diseases from plaguing the United States are in vain if the rest of the world has health problems that can cross the American border. As noted in the National Security Strategy, “when a disease goes unchecked, it can endanger our own health.”³⁵ In other words, citizens of the

United States remain vulnerable to devastating diseases if they continue to proliferate in other parts of the world. It is thus in the American interest to eradicate debilitating and preventable diseases on a global level. Yet disease eradication is not possible if healthcare systems around the world remain inadequate. Foreign aid can improve the health care systems of developing nations, thereby contributing to the eradication of diseases.

The strength of a health care system in a country is dependent upon its relative wealth. Findings show that a nation's level of economic prosperity is associated with higher levels of disease prevention with GDP per capita being the most significant variable.³⁶ For example, the heart of Africa's health problems is its inability to deal with its dire poverty. Over 46% of the African population lives on less than \$1 a day³⁷ and Africa also contains over 70%, or 24 million individuals, of the world's HIV and AIDS-infected population and has over 1.5 million AIDS-related deaths per year.³⁸ Most African nations lack basic healthcare infrastructure, let alone the ability to provide HIV and AIDS-related treatment.³⁹ Thus, the relative wealth of nations plays a key role in the ability of a nation to prevent and eradicate diseases.

Distributing foreign aid to impoverished countries can help to alleviate their poverty, improve their health care systems, and therefore improve attempts to eradicate diseases. There is a positive relationship between economic growth and poverty reduction in developing countries⁴⁰ and studies show that each additional dollar in total aid per capita was associated with 5.7 fewer deaths per 10,000 child-years among children in the poorest households,⁴¹ indicating a correlation between aid and improved healthcare. Foreign aid increases the resources available for investment in critical sectors⁴² that will enable the eradication of diseases prevailing in developing countries due to their inadequate infrastructure.

The spread of pandemics

Foreign aid can also help to inhibit the spread of pandemics by enabling the aid-recipient country to more effectively contain a disease within its borders. Pandemics highlight the urgent need to strengthen healthcare systems, especially at primary and community levels.⁴³ Many of the poor countries in the world have minimal healthcare systems, which in turn have dire implications for viral diseases that can easily spread out of control and to the United States.

Ebola is a contemporary example of the dangerous spread of pandemics, as it was declared an international public health emergency in August 2014.⁴⁴ As the case of Ebola has shown, when healthcare systems are unprepared and ill-equipped to tackle the spread of pandemics, domestic populations and the populations of neighboring countries are left extremely vulnerable. The Ebola virus highlights just how quickly an epidemic can spread and pose significant threats in the absence of an adequate health care system capable of a rapid response.

The ability to contain pandemics such as Ebola is especially important to the United States' interests, as Ebola can easily spread to the United States and inflict American people through international travel. In response to this epidemic, governments and international organizations such as the World Health Organization attempted to implement strategies to control the spread of the virus—one being to screen all persons exiting affected countries and entering countries for the disease.⁴⁵ This is clearly not a sustainable solution to impede the spread of pandemics. Instead, the battle against the spread of pandemics must be tackled by helping affected countries develop improved health care systems with the capacity to curb the spread of disease within their own borders. When foreign aid to bolster healthcare systems is effectively distributed, it can help prevent the spread of deadly diseases to the United States.

Sierra Leone is a prime example of the damage done by pandemics when a nation lacks a comprehensive healthcare system. The country could not control the rapidly growing Ebola crisis due to its general lack of medical equipment and infrastructure and over 11,000 cases of Ebola erupted with over 3,000 deaths.⁴⁶ Further yet, the Ebola crisis spilled over Sierra Leone's borders. On the other hand, nearby Nigeria is a case study that illustrates the power of adequate health care

Sierra Leone had over 11,000 cases of Ebola, while Nigeria had only twenty due to its functional healthcare system that successfully contained the outbreak.

systems. The Nigeria Centre for Disease Control (NCDC) implemented a rapid response using all available public health assets such as their capable health facilities. As a result, no new Ebola cases emerged within the nation after August 31, suggesting that the Ebola outbreak was contained.⁴⁷

Contrary to the series of events in Sierra Leone, Nigeria was able to contain the spread of the pandemic more readily due to its healthcare infrastructure.

This is not to say that the United States has an obligation to provide every country with first class Western health care systems to stop the spread of disease. However, foreign aid can be an effective method in assisting developing health care systems to contain such diseases where they occur. A strong health care system decreases a country's vulnerability to health risks and ensures a high capability to mitigate such incidences before they spread to the United States.⁴⁸ Therefore, continuing in the effort of foreign aid is important, as it places the United States on the proactive rather than the reactive stance when it comes to protecting the health of its people.

Health is a common denominator for all humanity and thus its impact is widespread. Foreign aid is important because it allows not only a more effective means of eradicating diseases, but also is a tool to contain the spread of pandemics by improving the healthcare systems countries afflicted by diseases.

Conclusion

The United States has clear motivations for continuing the distribution of foreign aid. Foreign aid distribution is a worthwhile endeavor on moral grounds – the United States is a country of unprecedented wealth while a large portion of the world lives in abject poverty. In addition to the moral undertones of its pursuit, foreign aid provides significant positive returns for the United States in the realm of economics, politics, security, and health. Foreign aid can consolidate American political capital abroad and is thus useful in building coalitions that help obtain national security objectives. In addition, foreign aid fosters economically sustainable nations that become new markets for American companies and alleviates poverty, which can “reshore” jobs to the United States. Foreign aid also stabilizes states that would otherwise fall prey to extremist organizations that threaten American security interests and contributes to the consolidation of democratic governance friendly to the United States. Further yet, foreign aid can be an effective means of bolstering healthcare systems that eradicate diseases and inhibit the spread of pandemics that can harm American lives.

The Demonstrated Effectiveness of Foreign Aid

Kendall Archer

Development initiatives, manifested through foreign aid distribution, must be considered a vital component of United States foreign policy. In addition to the moral, political, economic, security, and health justifications of its pursuit, the history of American foreign aid shows that aid has been and can be effective. Though the foreign aid system is far from perfect, American foreign aid has been proven to work in the past, as exemplified by the Marshall Plan, the President's Malaria Initiative, and programs in Haiti and Afghanistan.

The Marshall Plan

After World War I, the United States took an isolationist approach to foreign affairs, deciding to instead focusing on domestic concerns. This isolationist approach allowed for continued European instability, culminating in conditions allowing for the rise of Adolf Hitler and the Nazi Party. After the violence of World War II subsided, the United States saw it necessary to allocate aid to Europe to prevent further global conflict. The United States' plan to aid European recovery, known as the Marshall Plan, is one of the first effective examples of United States foreign aid. Designed to assist

The Marshall Plan allocated \$13 billion to Western Europe between 1948 and 1952 and helped increase the European GNP by 15 – 25%.

in rebuilding war torn Europe, the Marshall Plan allocated over \$13 billion to Western Europe over the course of four years, between 1948 and 1952. The Marshall Plan focused on restoring industrial and agricultural production in order to increase economic stability and regenerate European

industrialization and investment. The Marshall Plan effectively increased the gross national product of Western European economies by 15% to 25% in four years.

The Marshall Plan also had benefits for the United States. By rebuilding Europe's economic infrastructure, the United States fostered the creation of new markets. These new markets created new opportunities in which the United States could trade, thereby stimulating the American economy. In addition to being an economic and humanitarian venture, the Marshall Plan was effective as a security measure, as the consolidation of liberal economic and political order under American guidance prevented Soviet encroachment. Using the Marshall Plan as a humanitarian, economic, and political tool allowed for the continued growth of Western European economies and fostered political and economic interaction between the United States and Western Europe.

The President's Malaria Initiative

Aid continues to be an important component of United States foreign policy today, and has proven to be effective in a variety of conditions. One area in which modern aid has been effective is disease prevention in Sub-Saharan Africa. Established under USAID in 2005, the President's Malaria Initiative (PMI) has focused on reducing the rate of malaria in 19 target countries throughout Africa. The PMI aims to reduce the occurrence of malaria cases with four technical areas: indoor residual spraying, insecticide-treated mosquito nets, malaria in pregnancy, and diagnosis and treatment of the disease. Indoor residual spraying (IRS) is a process used to kill mosquitoes, thus reducing the instance of malaria transmission. Insecticide-treated mosquito nets (ITNs) are hung in to reduce the rate of mosquito bites endured while sleeping. Malaria is harmful to both pregnant women and their fetuses, and so "PMI supports a three-pronged approach to reducing malaria in pregnancy: (1) provision and promotion of ITN use, (2) administration of intermittent preventive treatment and (3) prompt diagnosis and appropriate treatment of malaria and anemia." PMI also supports strengthened diagnostic testing and increased rapid treatment for malaria. Each of these four targets allows for United States aid to assist in the fight against malaria.

Aid administered through PMI has helped decrease the rate of malaria in Zambia, where the disease continues to be a frequent cause of death. One of the main methods to addressing the issue of malaria in Zambia is the PMI supported mass distribution of ITNs. In 2006, only 38% of households in Zambia had at least one ITN. Since PMI assisted distribution of ITNs began, the proportion of households with at least one ITN has increased: in 2008, 62% of households had access, and in 2012, 68% of households had access. These increases indicate that PMI aid is effectively increasing access to malaria prevention methods. However, malaria is still prevalent throughout Zambia, and there is much more that can be done to increase the effectiveness of such programs.

Aid administered by the PMI in cooperation with USAID and the CDC has improved malaria treatments and prevention efforts throughout the continent. While these efforts have led to beneficial advances in combatting malaria, there is still work to be done, as malaria continues to effect large numbers of people throughout Africa. Increasing the effectiveness of American foreign aid can improve the ability of the PMI to eradicate the disease.

Humanitarian aid to Haiti

Aid has been effective when allocated for humanitarian purposes. When a magnitude 7.0 earthquake struck Haiti in 2010, USAID allocated more than \$4 billion to help the country rebuild. USAID funding to Haiti was allocated in three categories: immediate relief measures, rebuilding

efforts, and reconstruction projects. Immediate relief was delivered within the first three months following the earthquake in the form of food delivery, water provision, sanitation increases, emergency shelter, and healthcare. Food was delivered to almost four million people, while safe drinking water was provided for 1.3 million people daily. Within five months, 1.5 million people had received supplies to rebuild shelter. In addition, the emergency relief efforts after the earthquake were able to respond to a cholera outbreak, successfully decreasing the amount of deaths due to cholera from over 4,000 just after the earthquake in 2010 to less than 40 deaths in 2014. The aid allocated to emergency relief in Haiti was not only effective in dealing with the aftermath of the earthquake, but also allowed for emergency response to subsequent crises stemming from the earthquake's devastation.

Foreign aid to Haiti sent 350,000 people back to work and brought \$19 million to its economy.

Aid continued to be effective in Haiti as the country moved out of the immediate relief period and into the recovery and reconstruction periods. The recovery effort focused on short-term job creation, returning students to the classroom, and removing the rubble. Through a cash-for-work job program more than 350,000 people were able to return to work and earn the minimum wage (150 gourdes, or \$4) within a year of the earthquake, which brought \$19 million back into the Haitian economy. The jobs in the beginning of the cash-for-work program typically consisted of rubble removal, which allowed for more than 2.7 million cubic meters of rubble to be cleared out. As rubble was cleared, room for rebuilding infrastructure was created, and within one year of the earthquake, 60,000 students were able to return to school in 600 semi-permanent classrooms.

Today the focus of aid to Haiti is on long-term and sustainable development, including economic and food security, health and education initiatives, and viable energy sources. An example of a successful shift toward long-term sustainable development is that in the past five years, more than 70,000 farmers received improved farming technologies, helping to boost agriculture sales \$7 million in 2010 to \$12.9 million in 2013. It is thus clear that humanitarian aid for recovery has successfully transformed into funding economic initiatives that will benefit Haiti for years to come.

While Haiti cannot be universally identified as a success story, there are two indicators that show aid has been effective in response to the earthquake: there is no apparent rise in terrorism in Haiti, nor has there been a major threat of the spread of disease in the aftermath of the earthquake. In this way, aid efforts in Haiti have been effective, despite a slow recovery and reconstruction process.

Aid to Haiti began as a humanitarian response to the earthquake crisis, and has effectively facilitated reconstruction and promoted sustainable development in the five years since the earthquake, thus demonstrating how humanitarian aid has been effectively allocated.

Health aid to Afghanistan

American foreign aid has also proven effective when allocated for addressing health concerns. As evidenced above, foreign aid can effectively address specific health crises as they arise, like the case of cholera in Haiti. Aid has also been effective when it is allocated for improving healthcare systems within a country in order to prevent the spread of disease. Despite the marked difficulties of distributing aid in Afghanistan, aid has helped increase access to healthcare systems and sanitation. For a long time, Afghanistan had one of the lowest life expectancy rates in the world. With the help of USAID and others, Afghanistan's healthcare system has dramatically improved. The improvements in healthcare range from childbirth and fertility to combating the spread of diseases and bettering sanitation systems. In 2013, more than 420,000 women received pre-natal care from skilled providers because of US assistance, while instances of polio dropped from 80 cases in 2011 to just 14 cases in 2013. These increases in pre-natal care and disease prevention were possible because of increased access to healthcare facilities; with assistance from USAID, access to healthcare has increased from just 10% of the population to over two-thirds of the population. USAID's efforts to improve Afghanistan's healthcare sector have produced tangible results, such as the better health of its citizens, thus showing that American aid is an effective tool for addressing health concerns.

Aid from other countries

United States foreign aid is often complemented by aid administered from other countries. One of the leading countries providing foreign assistance is the United Kingdom. The United Kingdom's Department for International Development (DFID) has provided foreign aid since its establishment in 1997. Providing aid to more than 140 countries in 2012 and 2013, DFID has identified 28 priority countries for aid allocation, one of which is Pakistan. In Pakistan, DFID aid focuses on "an investment in a more prosperous stable country which will not only help millions of poor Pakistanis, but will also improve stability and security in the region..." In order to do this, DFID aid has helped increase wealth, education, and disaster relief, while decreasing poverty and hunger. DFID aid has helped more than 800,000 Pakistanis access microfinance opportunities since 2011 and more than 2.5 million Pakistanis receive cash transfers since 2010. Additionally, DFID aid has helped decrease the amount of Pakistanis living below the poverty line while increasing access to improved water and sanitation sources.

Conclusion

There are six justifications for why aid must continue to be a vital part of American foreign policy. First, the United States has a moral obligation to distribute aid simply because it is the right thing to do and the United States is in the position to do so. Second, it is important that the United States is viewed favorably, and upholds its responsibility to helping friendly nations. Third, aid allocation fosters economic development, thus creating new markets in which the United States can trade.

Fourth, aid can stabilize dangerous nations, thereby increasing global security. Fifth, aid serves as a mechanism for disease eradication and prevention. Finally, aid has been effective in certain cases in spite of the current system.

Aid can continue to be an effective tool for developing new markets, increasing global security, and preventing and eradicating diseases, and as such aid must continue to be a vital component of American foreign policy. However, the current system must be reformed in order to maximize aid effectiveness. In order to understand why the current system is inefficient, it is important to first understand how the current system came to be.

Section II
**A Historical and Contemporary Overview of the American
Foreign Aid System**

Reactive Development: A Brief History of the Growth of American Foreign Aid

Wendy Barcelona

Foreign aid is a critical component of American foreign policy for its economic, security, health, and political returns. Yet the American foreign aid distribution system is in need of reform. In order to understand the existing inefficiencies in the American foreign aid system, it is necessary to first explore the history of American foreign aid policy and its departure from a centralized system of distribution to a convoluted, multi-agency venture with numerous, often conflicting goals and organizations.

Bretton Woods, the Birth of the World Trade Organization, and the Marshall Plan

The Bretton Woods Conference took place in 1944 with the goal of creating a postwar economic order to accelerate reconstruction and create global interdependencies as a means of cultivating international stability.⁴⁹ The conference resulted in the creation of the International Monetary Fund (IMF) and the World Bank Group. The IMF was responsible for monitoring fixed exchange rates based on the U.S. dollar and gold, and continued in that capacity until the early 1970s. The International Bank for Reconstruction and Development, a branch of the World Bank Group, was “responsible for providing financial assistance for the reconstruction of war-ravaged nations and the economic development of less developed countries” through the sale of bonds and providing loans to countries in need.⁵⁰

With stable exchange rates and a new mechanism to internationally loan money, the United States and its allies turned their attention to international trade. The General Agreement on Tariffs and Trade (GATT), a predecessor of the World Trade Organization (WTO), was drafted in 1947. By agreeing to lower trade barriers, those party to the GATT hoped to promote expansions in trade. By 1995, it had evolved into its successor, the World Trade Organization. The WTO primarily monitors the trade policies of its members, negotiates agreements over trade obstacles, and settles disputes regarding international trade. Because trade is so vital to development, the WTO has become another player in the system of international aid.

“The WTO provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus contributing to economic growth and development.”¹

Operating within the newly constructed framework of the GATT and Bretton Woods, the Marshall Plan in 1948 heralded the creation of American foreign aid as both a diplomatic and humanitarian tool. As aforementioned, the Marshall Plan offered monetary aid in an effort to assist American allies in the rebuilding of infrastructure and industry.⁵¹ The Marshall Plan was engineered in the wake of the destruction of World War II to bolster the failing European economy, open new markets for American products, improve humanitarian conditions in the aftermath of war, and secure American influence in the face of spreading communism. By doing so, the United States hoped to preemptively stop instability from negatively impacting the global economic and political order.

Foreign Assistance Act of 1961 and United States Agency for International Development

In 1961, the United States issued the Foreign Assistance Act (FA Act) as a straightforward, clear outline of American aid objectives. It entailed conditions and restrictions for providing aid. The FA Act was created in the political context of post-World War II decolonization, a time in which the United States began to fear that newly independent nations would be tempted by communism and the ideas of the Soviet Union. With these fears in mind, President John F. Kennedy signed the FA Act into law in 1961, as well as an executive order to create the United States Agency for International Development (USAID). Upon signing the bill, Kennedy stated that

“The long-term commitment of development funds, which the bill authorizes, will assist the under-developed countries of the world to take the critical steps essential to economic and social progress. . . Our adversaries are intensifying their efforts in the entire under-developed world. Those who oppose their advance look to us and I believe, at this dangerous moment, we must respond.”⁵²

Additionally, the FA Act was intended to correct the “irrational structure” and “awkward” nature of current American foreign aid policy.⁵³ President Kennedy intended for USAID to be the agency under which the United States could put into action a long term, organized plan for developmental assistance.⁵⁴

However, USAID has strayed from Kennedy’s originally desire for effective, long-term, centralized development assistance. Since its inception, USAID’s goals and methods for promoting development have frequently shifted, perhaps because it has historically functioned as a subordinate to the Department of the State (DoS). USAID’s goals have shifted from preventing new nations from falling prey to communism, to providing humanitarian assistance in the 1970s, encouraging market-based economies in the 1980s, promoting democracy and sustainable development in the 1990s, and assisting with all of these goals in the rebuilding of war torn

Afghanistan and Iraq in the new millennium. USAID has evolved in its methods and goals to cater to specific foreign aid needs throughout the years.

Food for Peace

Throughout the past half-century, the quantity of American aid distribution agencies has proliferated as a function of specific political interests. For example, President Lyndon B. Johnson was particularly interested in winning the “War on Hunger” and signed the Food for Peace Act in 1966. As world populations grew exponentially, global food consumption increased to the point of shortages. With this in mind, President Johnson proposed a system of distributing food abroad: foreign nations would purchase American food at discounted prices with their local currency. The intent was to benefit both American producers and nations with chronic hunger problems. Additionally, the new program would also assist these countries in expanding their food production methods.⁵⁵ The Food for Peace Act originally included three distinct branches: Economic Assistance and Food Security (administered by the U.S. Department of Agriculture), Emergency and Private Assistance Programs (administered by USAID), and Food Development (also administered by USAID). To this day, the goal of these programs is to “reduce vulnerability to crises and improve the nutrition and food security of poor, malnourished populations.”⁵⁶ Food for Peace is an example of American expansion into different types of aid, requiring cooperation between agencies that is becoming more difficult with overlapping goals between the numerous agencies.

The Inter-American Foundation

President Richard Nixon, wishing for the United States to have greater influence on the American continents, hoped to experiment with different foreign aid distribution techniques in Latin America. With unstable governments in parts of South America, and the threat of spreading communism to the United States in the early ‘70s Cold War era, the Nixon administration worked with the Inter-American Foundation (IAF). The Foundation was created through the FA Act of 1969, in order to promote goodwill and to support social development efforts at the grassroots level in Latin America and the Caribbean. In his book *Seize the Moment*, Nixon writes

“Corrupt government officials, mismanaged economic policies, and misguided development strategies hold back the potential of talented and hard-working peoples on every continent. . . The southern hemisphere holds unlimited potential for success, but it also faces daunting odds. We are therefore presented with an immense challenge. If we turn our backs on the countries of the southern hemisphere, we will never narrow the widening gap between the developed and underdeveloped worlds.”⁵⁷

The idea behind this foundation was that the support of individual development through education, agricultural, and health programs would promote the growth of democratic institutions. The foundation's creation expanded the mission of American foreign aid to include operations at the grassroots level, and these new goals added a new facet to an already complex foreign aid distribution system.

The United States African Development Foundation

Believing the Inter-American Foundation to have played a key role in fostering stability in South America, Congress decided to export the IAF's model of aid to Africa in 1980. In order to "bypass layers of government inefficiencies by working directly with the neediest communities in Africa," the United States African Development Foundation was created to provide similar assistance directly to African communities.⁵⁸ Creating yet another independent agency, this one with its own specific cause, shows a pattern of decentralization that has led to the current foreign aid model we have today.

The President's Emergency Plan for Aids Relief

In 2002 a report from the National Intelligence Council concluded that the accelerating spread of AIDS in critical countries across the globe could lead to increased security risks and political instability, suggested that these at-risk countries would be "more open to seeking technical assistance for the United States" to help combat this risk.⁵⁹ Thus, the President's Emergency Plan for AIDS Relief (PEPFAR) was proposed by President George W. Bush in 2003 as the largest global response to a disease in history. This plan consists of an emergency response, sustaining the response, and the eventual sustainable control of the virus. The purpose of the aid from PEPFAR was to provide humanitarian assistance to countries either incapable of fighting AIDS, or those who were simply in need of some help. Because of successful inter-agency coordination, PEPFAR is considered a success in its goal to prevent the spread of AIDS/HIV.⁶⁰ However, since PEPFAR reports to the office of the Global AIDS Coordinator within the Department of State (rather than the USAID) it remains an illustration of the reactive nature with which the United States government responds to the distribution of foreign aid.

The Millennium Challenge Cooperation

The MCC “provides economic assistance through a competitive selection process to developing nations that demonstrate positive performance in three areas: ruling justly, investing in people, and fostering economic freedom.”¹

The most recent example of a new, major foreign aid program is the Millennium Challenge Corporation (MCC) proposed by President George W. Bush in 2002. The MCC was created by the United States Congress in 2004 with the aim of being a more efficient foreign aid agency. It is different in that it is based on the idea that Western democratic theory and orthodox economic liberalism are essential to development. The MCC is an independent agency from the DoS and USAID and its

creation adds another level of complexity to American foreign aid policy as well as increases the probability of conflicting development goals among American development organizations.

Conclusion

Since the end of World War II, the United States has continually created new aid agencies in response to different challenges. The goals of each organization were developed directly in response to a particular conflict, crises, or threat. The reactive nature of America foreign aid policy is evident in the number of agencies. Foreign aid has been and continues to be an integral and major part of American policy, yet the convolution creates a puzzle that needs solving.

The Current Foreign Aid System

Elizabeth Jackson and Nick Johnson

This section outlines the disorder of the current American foreign aid system, which is built on a confusing foundation of multiple organizations created to respond to different humanitarian interests and answers to different authorities. As a result, the current American foreign aid structure is byzantine, outdated, and disorganized and cannot meet its development goals. Outlining the complexities and opacity of the system will expose the inefficiencies of the financial flows of the current American foreign aid structure.

We will first define the different types of foreign aid that the United States distributes and list the departments who distribute that aid, as authorized by the Foreign Assistance Act of 1961. We will only be detailing the aid that *Congress* allocates to American foreign aid agencies, leaving out the financial contributions of private organizations such as the Bill and Melinda Gates Foundation and Amnesty International. All data in this section is based on Fiscal Year (FY) 2013.

According to the Congressional Research Service pamphlet on United States Foreign Assistance, the United States spent approximately \$43.61 billion in foreign assistance in FY 2013.⁶¹ However, the foreignassistance.gov website reports that the amount the United States spent in FY 2013 was \$27.4 billion. The disconnect between these two numbers represents the disorganization and transparency issues faced by the current American foreign aid system. There is no central database that accounts for all the foreign aid expenditures by the United States. As a result, in order to complete this report, we had to do extensive research and relied upon both private and public sources for information and still have considerable gaps in our understanding of this complex and opaque system.

Different Types of Aid

There are generally two categories in which aid falls under. The first category is **bilateral aid**, which is assistance given by a government directly to the government of another country. Bilateral aid is the most common form of aid and is distributed in the largest amounts. This type of aid is usually distributed to promote long-term political agendas such as the fostering of democracy and economic development. The second category is **multilateral aid**, or assistance provided by

governments to international organizations, which then distribute money to developing nations to reduce poverty. Though the United States gives far more bilateral aid, the United States is a formidable donor to multilateral organizations such as the World Bank and IMF.

Within the category of bilateral aid, there is economic aid and military aid. Economic aid can be used in the form of direct aid, military and service training, or building infrastructure. Departments that give economic aid often divide their aid into even more specific categories, including humanitarian, peace and security, health, development, governance, education, and environmental aid to name a few categories. The United States gives military aid by supplying arms and training to allied foreign countries. The main difference between military and economic aid is that economic aid is not used to arm a developing country, whereas military can.⁶² For this reason, military aid is the most controversial type of aid given by the United States.

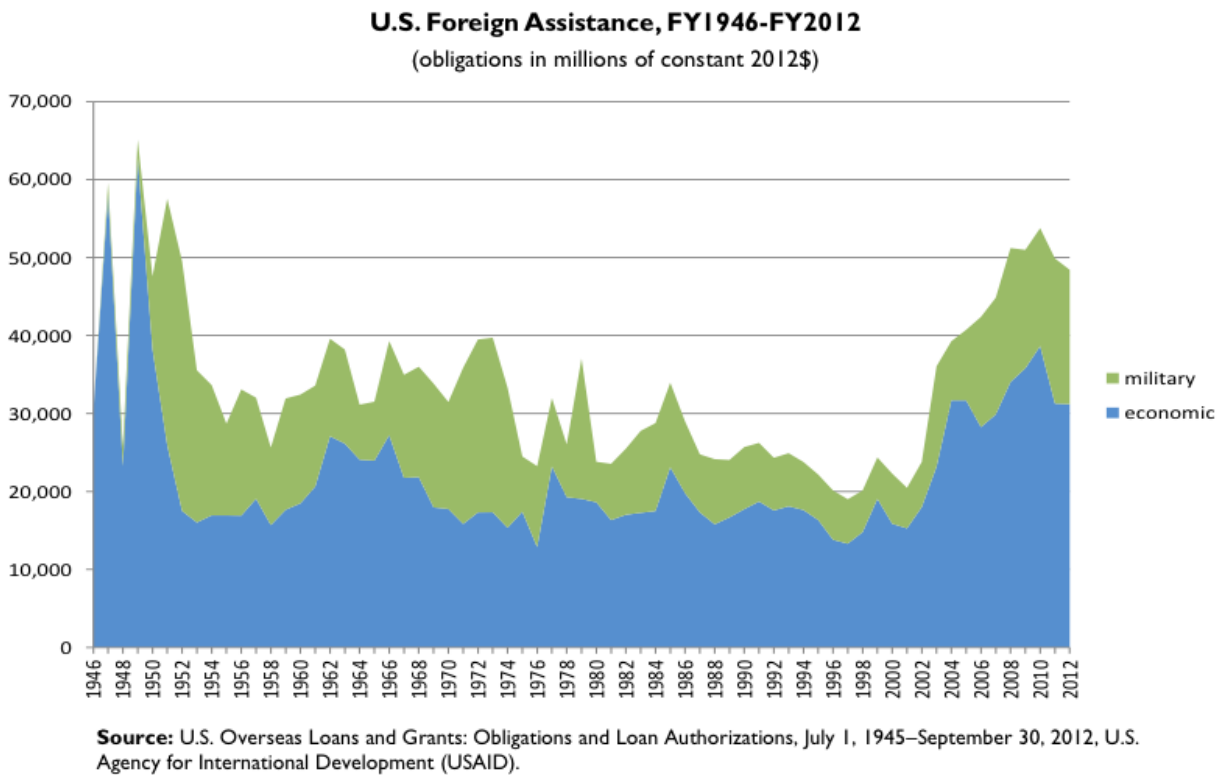


Figure 1

Figure 1 (above) shows the distribution of economic versus military aid by the United States over time, from 1946 to 2012.

Many of the agencies discussed in this paper provide both economic and military aid. While this is distinguishable in the analysis, the data provided to the public on where aid is spent is rarely categorized as “economic” or “military” aid. To a certain extent, many agencies provide some combination of economic and military aid. It can generally be assumed that aid given to the Department of the Army, the Army Corps of Engineers, or the Department of Defense could be classified under military aid, although the Department of Defense also distributes economic aid. On the other hand, aid provided by the Peace Corps, IMF, World Bank, USAID and the State Department could be classified as economic aid.⁶³ Some examples of economic aid include air dropping food supplies, encouraging foreign direct investment, building infrastructure, and providing health supplies and training. Military aid usually involves training armed forces, providing security gathering intelligence, and providing weapons.

Foreign Aid Distribution by Agency

There are approximately 50 different agencies to which the United States Congress allocates foreign aid funds. We say “approximately” because there is no comprehensive list provided by the United States government listing out all the different agencies that provide foreign aid. Thus, this is simply a well-educated guess on the number of participating agencies. The different budgets of these aid programs and agencies will not be discussed in depth, partly because the information is not available and partly because there is overlap in agency budgets and justifications. This makes transparency of department aid allocations extremely confusing and convoluted.⁶⁴

These are the United States agencies and programs that receive funds from Congress for economic foreign assistance:⁶⁵

- United States Agency for International Development (USAID) – situated under the jurisdiction of the Department of State
 - o Bureau of Democracy, Conflict, and Humanitarian Assistance
 - o Office of Democracy and Governance
 - o Office of US Foreign Disaster Assistance and Famine Assistance
 - o Food for Peace
 - o Bureau of Economic Growth, Agriculture, and Trade
 - o Bureau of Global Health
 - o Economic Support Fund
 - o Nonproliferation, Anti-terrorism, de-mining, and relation programs
 - o International Military Education and Training Program
 - o Office of Transition Initiatives
 - o Famine Early Warning System Network
- The Millennium Challenge Corporation

- Department of State
 - o Bureau of Democracy, Human Rights and Labor
 - o Office of the Global Aids Coordinator
 - o Middle East Peace Initiative
 - o Office to Monitor and Combat Trafficking in Persons
 - o Bureau for Population, Refugees and Migration
 - o Office of Politico-Military Affairs
 - o Bureau of International Narcotics and Law Enforcement Affairs
 - o Humanitarian Information Unit
 - o Special Coordinator's Office
 - o Bureau of Economic and Business Affairs, Trade Policy and Programs Division
 - o Bureau of Oceans and International Environmental and Scientific Affairs
 - o Office of International Health Affairs
- Department of Defense
- Department of Treasury
 - o Office of Foreign Asset Controls
 - o Office of Technical Assistance
 - o Office of International Affairs
- Department of Health and Human Services
 - o National Institutes of Health
 - o Office of Global Health
 - o Office of International Affairs
- Department of Agriculture
 - o Foreign Agriculture Service (Food for Progress, McGovern-Dole Food for Education)
 - o Forest Service
- Department of Energy
- Department of Commerce
- United States Trade Representative
- Environmental Protection Agency
- Overseas Private Investment Corporation (OPIC)
- Peace Corps
- PEPFAR
- US Trade and Development Agency
- Export-Import Bank of the United States
- FEMA (Office of International Affairs)
- US Small Business Administration
- African Development Foundation

- Inter-American Development Foundation
- Office of National Drug Control Policy

Below is a chart detailing the expenses of the largest aid agencies in the United States government. “Planned Expenses” is the amount of money each agency requests from Congress and would like to spend. “Obligated Expenses” is the amount of money that has been allotted to each agency. “Spent Expenses” is the amount of money from “Obligated Expenses” that was actually spent on aid.

For the sake of this paper, the figure for “Spent Expenses” will be used to calculate how much the United States spends on foreign assistance. This is a measure of government spending and includes the amount of checks issued, cash disbursed, interest accrued, and the net of refunds and reimbursements. These are payments to liquidate obligations (other than the repayment of debt).⁶⁶

Department	Planned Expenses FY 2013	Obligated Expenses FY 2013	Spent Expenses FY 2013
State Department	\$33.1 Billion	\$4.4 Billion	\$3.5 Billion
United States Agency for International Development (USAID)	\$33.1 Billion	\$17.2 Billion	\$17.2 Billion
Millennium Challenge Corporation	\$852.7 Billion	\$1.1 Billion	\$1.6 Billion
Treasury Department	\$2.6 Billion	\$2.5 Billion	\$2.7 Billion
Department of Defense (FY 2013)	\$5.9 Billion	\$2.8 Billion	\$207.7 Million
US African Development Foundation	\$28.5 Million	\$27.8 Million	\$32.3 Million
Peace Corps	\$356 Million	\$386.3 Million	\$389.5 Million
Inter-American Foundation	\$27.4 Million	\$26.2 Million	\$27.2 Million

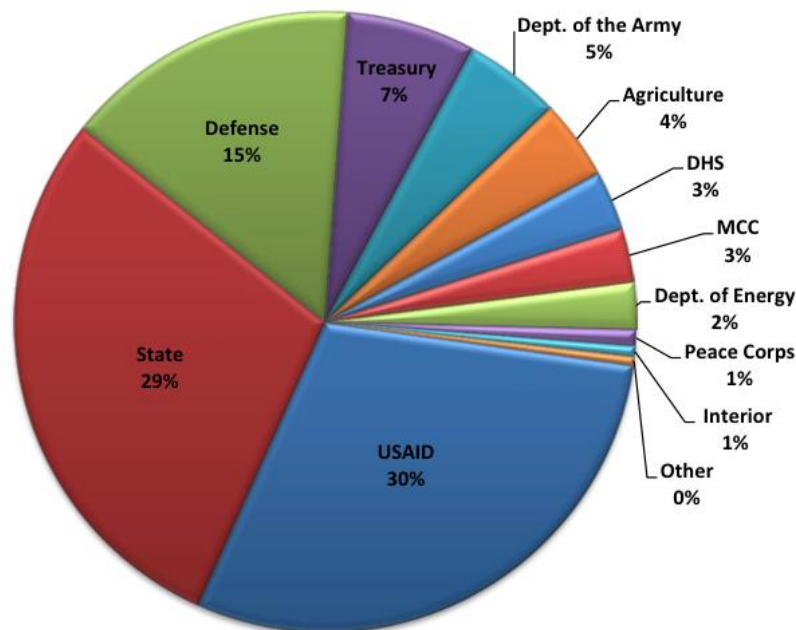
US Department of Agriculture (FY 2013)	\$838.5 Million	\$448 Million	\$291.5 Million
Department of Health and Human Services	No Data	\$3.5 Billion	\$1.5 Billion

The chart above shows the major inefficiencies in how United States foreign assistance is distributed. For example, the chart details that the State Department was given \$4.4 billion in “Obligated Expenses”, but only spent \$3.5 billion. Therefore, there is \$900 million that is going unaccounted for just within the State Department for FY 2013. Over the years since the State Department has been distributing aid there have been billions, if not trillions of dollars of United States foreign assistance money that has gone unaccounted for. This is the same for all the aid agencies for which the United States provides funds.

Figure 2 (below) depicts the obligated expenses of the largest American agencies that received funding from Congress specifically for foreign assistance.

Figure 2

Foreign Assistance Obligations by Funding Agency and Percentage, FY2013



Source: USAID Economic Analysis and Data Services (EADS), prepared on November 11, 2014.

Figure 3

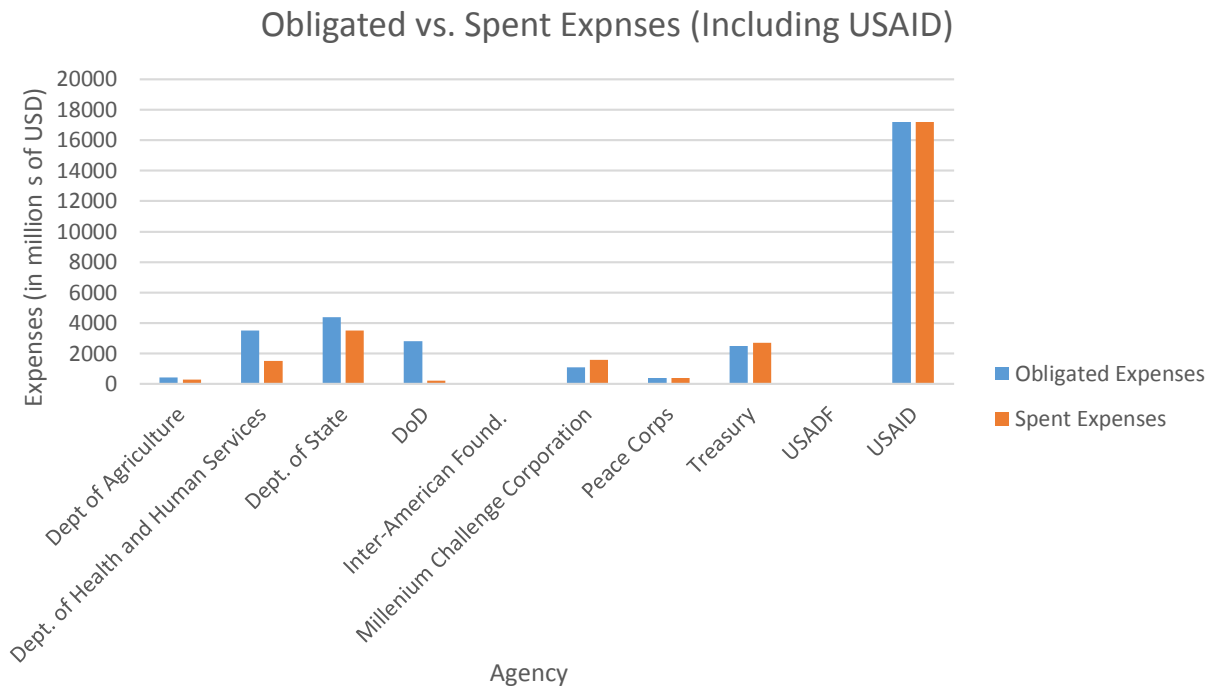


Figure 4

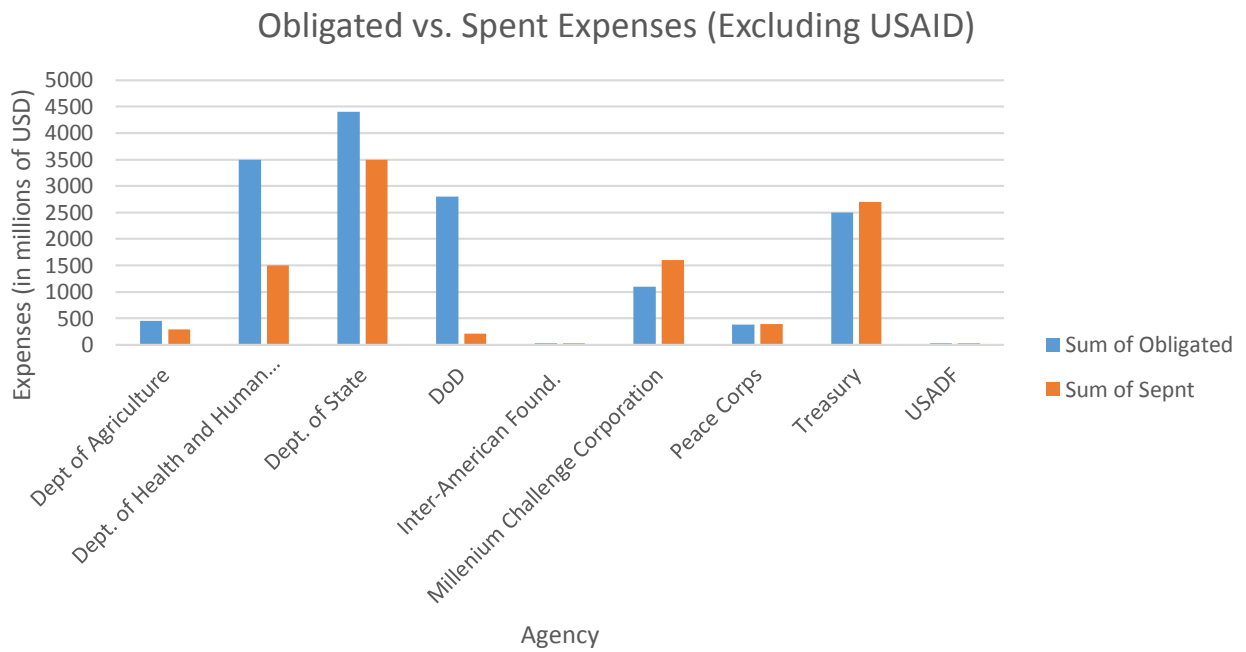


Figure 3 and figure 4 show the difference between obligated allocations by Congress vs. how much was spent. Additionally, because USAID receives the most foreign assistance funding Figure 4 is shown without USAID data to simplify the display of the distribution of funding across different organizations.

The IMF and World Bank

The United States allocates money to both the International Monetary Fund (IMF) and the World Bank for foreign assistance. Created as a part of the Bretton Woods Conference after World War II, both of these organizations call Washington D.C. their home and have many international members countries who support their work through financial contributions. Most importantly, the United States is a major stakeholder and majority donor to both these organizations whose goals are to spur development, eradicate poverty, and improve the global living standards.

The World Bank

The World Bank has two goals to reach before the year 2030: to “end extreme poverty by decreasing the percentage of people living on less than \$1.25 a day to no more than 3% [of the world’s population]” and to “promote shared prosperity by fostering the income growth of the bottom 40% for every country.”⁶⁷ Overall, their goal is to provide financial and technical assistance to countries as they develop.

Five institutions constitute the World Bank:

- **The International Bank for Reconstruction and Development (IBRD)** lends to governments of middle-income and low-income nations by providing loans and guarantees.⁶⁸ The treasury allocated \$186,957,000 to IBRD in FY 2014 alone.⁶⁹
- **The International Development Association (IDA)** provides loans in the form of credits and grants to the government of the world’s poorest countries aiming to improve education, basic health, clean water, infrastructure, and sanitation.⁷⁰ The treasury allocated \$1.4 billion to IDA in FY 2014.⁷¹ Figures 5 and 6⁷² show the top ten countries that borrow from the IDA and how they allocate lending by sector, respectively.
- **The International Finance Corporation (IFC)** works to cultivate the private sector in developing countries by providing investment, advice, and asset management.⁷³

- **The Multilateral Investment Guarantee Agency (MIGA)** encourages foreign direct investment into developing countries by ensuring political guarantees to investors and lenders.⁷⁴ Figure 7 displays the regional distribution proportions.⁷⁵
- **The International Centre for Settlement of Investment Disputes (ICSID)** offers facilities for conciliation and arbitration of global investment disputes.⁷⁶

Top IDA Borrowers

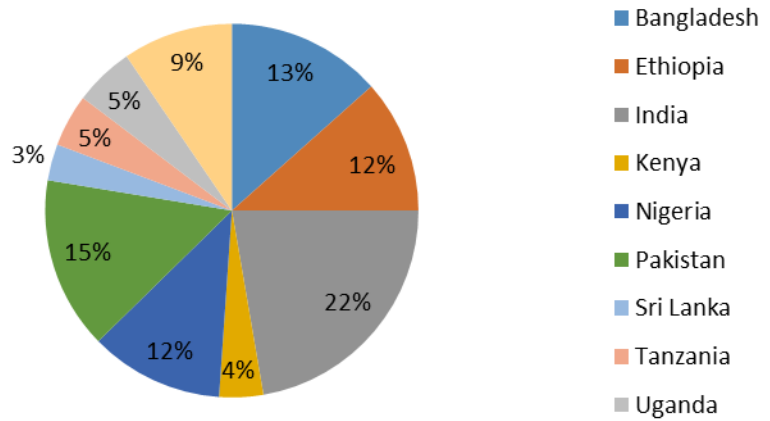


Figure 6

IDA Lending By Sector

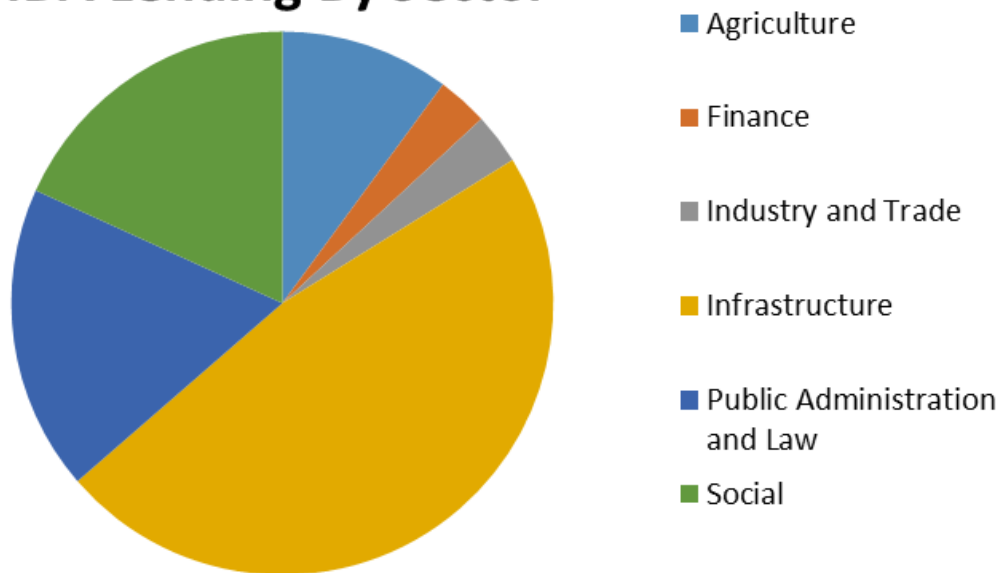


Figure 5

MONEY INVESTED BY REGION (FY 2014)

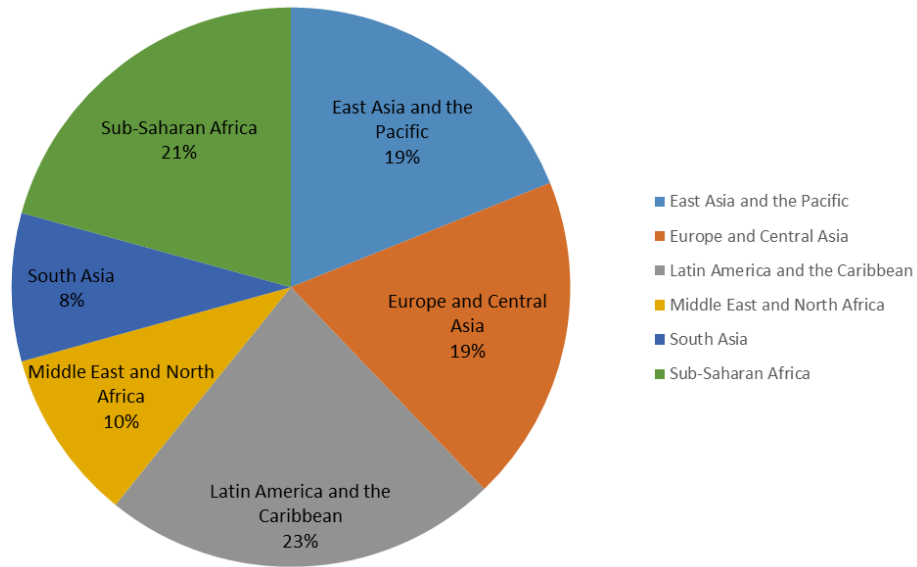


Figure 7

MIGA Disbursements by Largest Individual Recipients

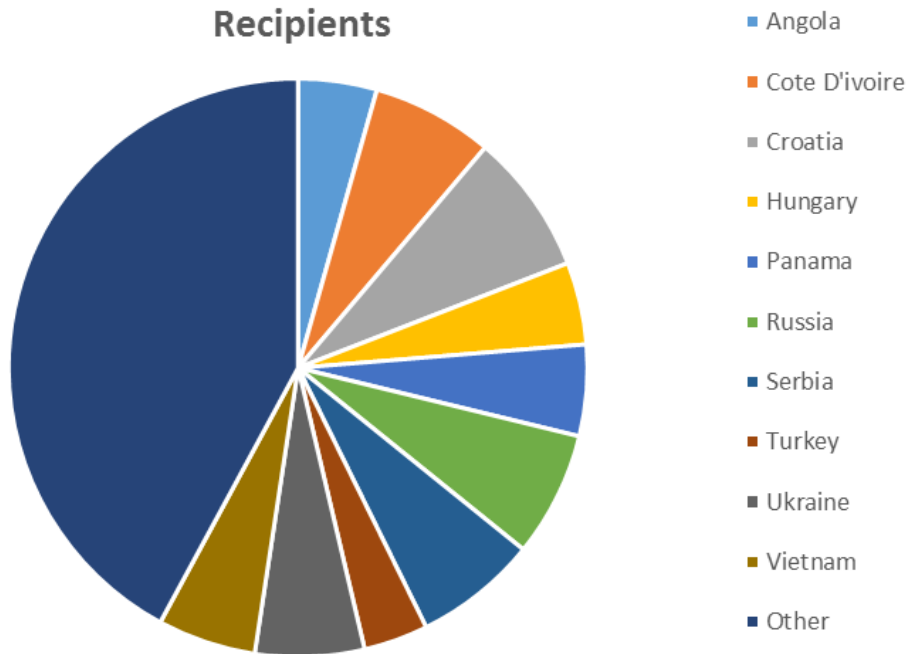


Figure 8

The International Monetary Fund (IMF)

The IMF has been a major player in global economic development since its inception at the Bretton Woods Conference in 1944. Understanding how the IMF distributes aid – primarily in the form of loans – is essential in order to grasp how foreign assistance works as a whole.

The IMF performs three main functions. The first function is surveillance, in which the IMF monitors economic and financial development around the world aimed at crisis prevention. Second, the IMF functions as a lender to developing countries that have difficulty with their balance of payments. Third, the IMF provides technical assistance and training in standards and codes of finance in order to strengthen the financial sector.⁷⁷

The IMF's financial structure is unique in that it is both financed by its 188 member countries, and that is also largely self-sustainable through lending. Each member of the IMF is assigned a quota, based broadly on its relative size in the world economy, which determines its maximum contribution to the IMF's financial resources.⁷⁸ Since the United States is currently the world's single largest national economy, it has the largest quota of any country (currently 17.69%). Quotas are usually re-evaluated every five years to keep up with the current economic size of each nation in the world economy. Changes in quotas must be approved by 85 percent of the total voting power and a member's quota cannot be changed without its consent.⁷⁹

There is no available amount, in any currency, of IMF loans that have been distributed. This is most likely due to the fact that the IMF is constantly lending and receiving loan payments. However, it is worthwhile to note that the number of IMF loans have increased significantly since 2008 at the wake of global financial crisis.⁸⁰

Both the IMF and the World Bank are vital actors in achieving the development goals of the international community, including the United States. Though they are not agencies of sole American jurisdiction, the programs and rules set by these multilateral organizations influence the way both donor and aid-recipient countries construct their financial systems and interact with one another.

The World Trade Organization (WTO)

The WTO provides an institutional framework in which trade rules are interpreted and reciprocal bargains can be negotiated between nations. It has 153 member nations and represents over 95% of the world's trade flows.⁸¹ The WTO is designed to provide equal representation for all member nations, regardless of size or wealth, in an effort to establish a multilateral forum in which all

members have an equal say. Decisions are made by consensus and rules must be ratified by the member parliament.⁸²

The WTO sets the rules of international trade that in turn influences foreign aid. A majority of foreign aid expenditures are dedicated to strengthening the economic sustainability of developing nations. A key component of elevating the economic situation of developing nations is its ability to trade. The WTO is important to consider in the context of economic development because it is in the position to help developing nations gain market access for their goods. This can lead to more trade and investment in developing countries, which fosters more economic growth.

Non-Governmental Organizations (NGOs)

An NGO is as an organization whose funding comes from private sources. Though their money is private, NGOs distribute money in a similar way to government-run organizations. NGOs often provide volunteer work and other forms of in-kind assistance to developing nations. There are over 71,000 grant-making foundations in the United States, responsible for \$4 billion of foreign aid in 2006 – a substantial increase from the \$2.4 billion from the previous year.⁸³ Yet lack of communication between the private and public sectors further complicates the existing foreign aid system, especially considering that many NGOs receive funding from state and federal grants.⁸⁴

Foreign Aid Distribution by Country

The list below overviews the amount of aid distributed to countries in alphabetical order. There are certain trends that should be noted in the data below. Middle Eastern countries receive significantly more United States aid than many other countries because more countries in the Middle East pose a security threat to the United States. In the case of Afghanistan, this money is going towards both economic and military aid, with the hope that by boosting the economy of Afghanistan there will be less poverty and political discontent and stronger infrastructure, which can mitigate possible terrorist organizations from forming or growing.

<i>Country</i>	<i>Aid for FY 2013</i>	<i>Country</i>	<i>Aid for FY 2013</i>
Afghanistan	1,180,400,000	Latvia	200,000
Albania	17,100,000	Lebanon	68,000,000
Algeria	200,000	Lesotho	167,900,000
Angola	62,600,000	Liberia	140,200,000
Argentina	700,000	Libya	10,100,000
Armenia	34,900,000	Lithuania	100,000
Azerbaijan	24,800,000	Macedonia	15,600,000
The Bahamas	200,000	Madagascar	52,700,000

Bangladesh	165,400,000	Malawi	169,400,000
Barbados	5,700,000	Malaysia	500,000
Belarus	9,600,000	Maldives	400,000
Belize	3,100,000	Mali	133,300,000
Benin	30,500,000	Marshall Islands	1,700,000
Bolivia	28,900,000	Mauritania	16,000,000
Bosnia and Herzegovina	25,500,000	Mauritius	200,000
Botswana	51,500,000	Mexico	51,600,000
Brazil	19,700,000	Micronesia	1,400,000
Bulgaria	2,600,000	Moldova	59,200,000
Burkina Faso	161,000,000	Mongolia	108,600,000
Burma	54,000,000	Montenegro	5,600,000
Burundi	20,600,000	Morocco	248,400,000
Cambodia	68,500,000	Mozambique	513,900,000
Cameroon	25,500,000	Namibia	138,100,000
Cape Verde	4,600,000	Nepal	68,000,000
Central African Republic	3,500,000	Nicaragua	40,100,000
Chad	24,600,000	Niger	63,100,000
Chile	100,000	Nigeria	466,700,000
China	25,700,000	Oman	100,000
Columbia	144,300,000	Pakistan	533,700,000
Comoros	100,000	Panama	9,400,000
Congo, Democratic Republic of	220,200,000	Papua New Guinea	5,200,000
Congo, Republic of	7,900,000	Paraguay	13,300,000
Costa Rica	6,800,000	Peru	73,100,000
Cote d'Ivoire	74,400,000	Philippines	161,500,000
Croatia	200,000	Poland	100,000
Cuba	7,300,000	Romania	1,900,000
Cyprus	4,800,000	Russia	36,000,000
Czech Republic	200,000	Rwanda	131,900,000
Djibouti	4,200,000	Samoa	1,100,000
Dominican Republic	39,500,000	Sao Tome and Principe	-500,000

Ecuador	21,700,000	Senegal	191,800,000
Egypt	614,900,000	Serbia	27,200,000
El Salvador	68,300,000	Seychelles	100,000
Estonia	200,000	Sierra Leone	13,700,000
Ethiopia	417,700,000	Slovenia	100,000
Fiji	1,700,000	Solomon Islands	400,000
Gabon	300,000	Somalia	148,500,000
Gambi, The	2,800,000	South Africa	416,300,000
Georgia	131,700,000	South Sudan	188,400,000
Germany	20,200	Sri Lanka	28,300,000
Ghana	130,300,000	Sudan	109,900,000
Greece	700,000	Suriname	700,000
Guatemala	103,200,000	Swaziland	38,000,000
Guinea	21,100,000	Syria Arab Republic	174,700,000
Guinea-Bissau	8,100,000	Taiwan	1,100,000
Guyana	9,400,000	Tajikistan	22,100,000
Haiti	369,700,000	Tanzania	685,500,000
Honduras	83,500,000	Thailand	37,100,000
Hungary	800,000	Timor-Leste	18,000,000
Iceland	3,000	Togo	2,600,000
India	84,900,000	Tonga	900,000
Indonesia	207,300,000	Tunisia	33,400,000
Iraq	185,000,000	Turkey	1,400,000
Ireland	9,300,000	Turkmenistan	6,900,000
Israel	111,100,000	Uganda	417,100,000
Italy	200,000	United Kingdom	100,000
Jamaica	19,500,000	Uruguay	500,000
Jordan	639,000,000	Uzbekistan	10,600,000
Kazakhstan	16,200,000	Vanuatu	2,600,000
Kenya	645,300,000	Venezuela	5,700,000
Kiribati	12,000	Vietnam	83,800,000
North Korea	100,000	West Bank and Gaza	536,300,000
Kosovo	60,900,000	Yemen	115,600,000
Kyrgyz Republic	53,800,000	Zambia	303,200,000
Laos	11,200,000	Zimbabwe	143,500,000

Conclusion

The United States Government currently has over fifty agencies that distributed approximately \$44 billion of foreign aid in FY 2013. It is certain that more money is being spent but there is no way to calculate a concrete number with the sources available to the public. Each agency categorizes aid expenditures differently, e.g. economic or military, making it difficult to track expenditures at a micro and macro-level. The difference in categorization leads to confusion as to where the money is going across the agencies. The aggregate amount of money an agency receives from Congress is not always the total spent, leading to perplexity as to where the difference goes. The addition of players like NGOs, the WTO, IMF and the World Bank further muddle how the United States distributes foreign aid because the United States does not have absolute authority to allocate the funds to these players. The sheer size and scope of the current United States foreign aid system is so substantial that it is not able to effectively complete the tasks for which it was originally created. Instead, the American foreign aid system is wedged in bureaucratic disarray with too many agencies, a lack of communication between these agencies, and minimal public disclosure.

Main Problems with Current United States' Foreign Aid

Lars Adam Akerblom and Lavina Nitu Joseph

In theory, the United States carries out its foreign aid efforts in accordance with the terms of the Foreign Assistance Act (FA Act) of 1961. In its original state, the FA Act was a concise and straightforward piece of legislation totaling less than a hundred pages. It had a relatively focused strategy and a particular set of objectives. The FA Act has since been amended and rewritten to such an extent that it now reads over two thousand pages, is carried out by over fifty separate agencies with as many diverse goals, contains five explicit “target areas,” and has over 200 directives.⁸⁵ The FA Act has lost its concise, strategic vision and has become an incohesive and convoluted document that is no longer an efficient basis for informing the United States' foreign assistance programs.

The United States' foreign aid system involves too many actors and has complicated bureaucratic procedures that lack specific, effective goals. Furthermore, the United States' foreign aid system fails to implement adequate solutions that encourage transparency and discourage dependency from aid-recipient nations.

Complicated Bureaucratic Process

United States Foreign Aid is insufficient due to its complicated bureaucratic structure. For instance, the United States Agency for International Development (USAID) is under the control of the Department of State (DoS). Therefore, USAID is not able to manage the funds used for foreign aid and development objectives often come secondary to diplomatic concerns. The DoS is responsible for implementing the United States' international relationships and thus identifies which countries are in need of aid. The DoS uses the USAID to execute these plans, and USAID in turn hires contractors to complete development work.

Furthermore, the agendas of USAID hired contractors have shifted from helping people in poor nations to pushing the foreign policy agendas of the country from which they come. Development Associate International Inc., (DAI), is a private development company hired by USAID to perform agricultural consulting work in the aid-recipient countries. USAID also collaborated with DAI on a project called Incentives Driving Economic Alternatives for the North, East, and West (IDEA-

NEW). IDEA-NEW is under the umbrella within the general guidelines of counterinsurgency, a United States aid program catering to the needs of the United States military. IDEA-NEW is also a neoliberal development project, which advocates free markets. According to economic and political geographer Susan Roberts,

“The majority of USAID contracts go to U.S. firms, a fact that USAID has used in Congress to justify its budget request. The 10 largest USAID contractors received more than \$3.19 billion in 2011, and more than 27 percent of the agency’s overall funding was directed to American for-profit firms last year.”⁸⁶

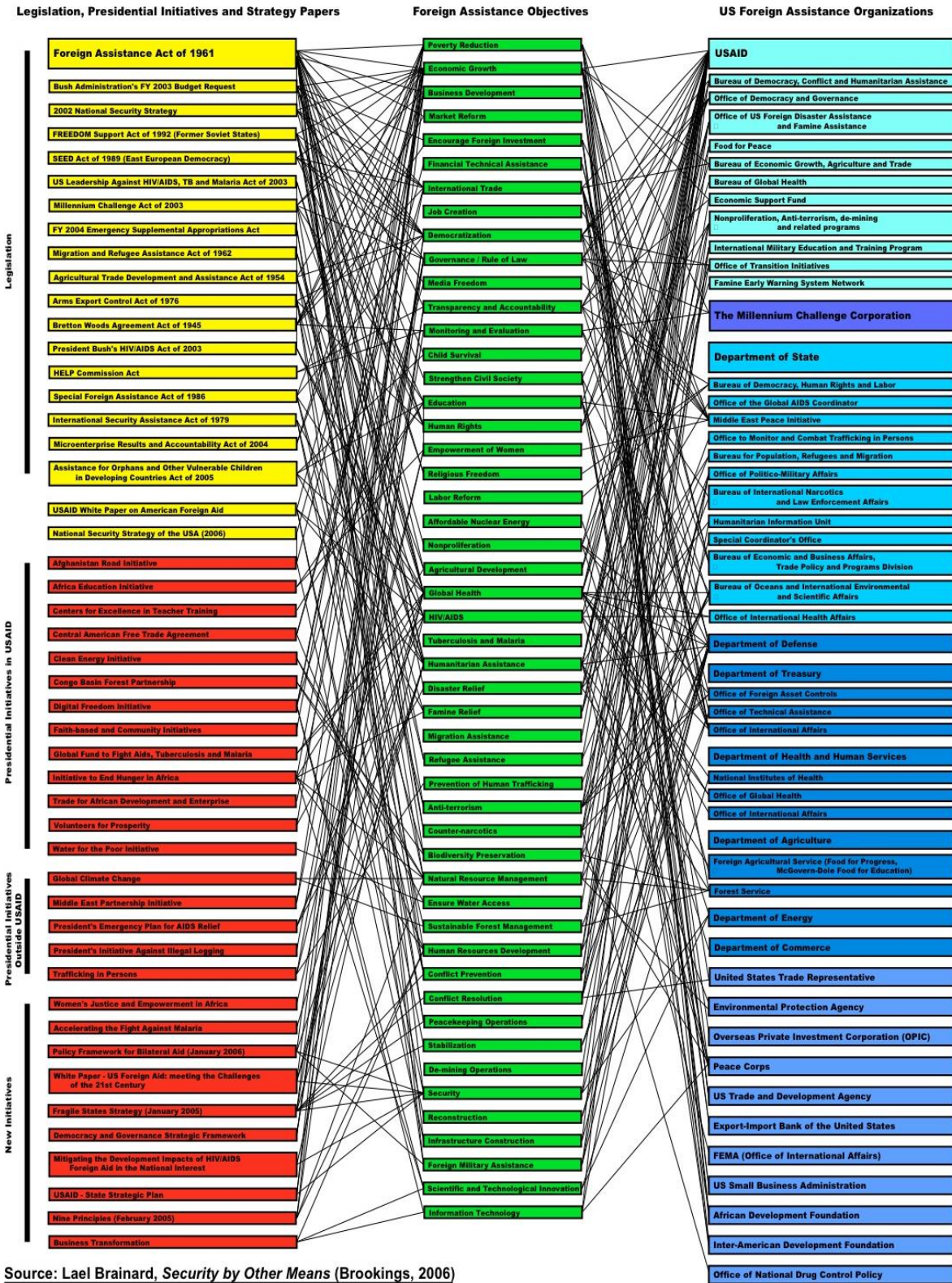
Overall, USAID outsources development to contractors, who in turn steer away from developmental goals and into ones that benefit American employers. \$3 billion is a tremendous amount of money to give contractors, when it could also be used for development and in a resourceful manner. The DoS needs to find proficient solutions to grant money to countries in need of aid through the USAID without involving massive participation from contractors that neglect to complete developmental work.

No Specific Goals

The lack of one overarching central objective is a major problem with the United States’ Foreign Aid Policy. A complex web of goals is laced between those set forward by Congress in the FA Act, the self-proclaimed goals of various organizations, as well as goals presented in several decrees and directives. The result is a muddled and inefficient implementation that often promises a lot but ends up doing very little. Without a central goal, foreign assistance agencies wind up pulling in too many different directions. In addition, because organizations are trying to secure as much funding as possible, they spread themselves too thin and do not reach their full potential. This is fundamentally against many of the most basic theories of efficiency, chief among which is specialization.

The following chart is an accurate representation of how convoluted the current system has become. Though it is from 2006, the complexity has only increased since. It shows beyond any doubt how interwoven and intricate the United States foreign aid structure really has become.

US Foreign Assistance Legislation, Objectives and Organizations



There is simply no possibility that aid can be efficiently administered when so many actors are stepping on each other's toes racing to address their many and diverse goals.

Many of these goals end up being in direct competition with one another. This is exacerbated by poor communication between aid-distributing organizations, as one agency may be working towards one goal in a certain region while another agency is active in the same region working towards their own goal, which may conflict with the other agency's objectives. The most obvious conflicts of interest arise between security and diplomacy aid versus development aid. Despite significant funding, areas such as Pakistan and Afghanistan have seen limited results as far as sustainable economic development, the foremost reason for this being a disproportional focus on achieving security goals.⁸⁷ The same was true during the Cold War era, when the goal of combatting communism and earning diplomatic favors with foreign governments overshadowed the goal of actually seeing aid money have a real impact on development. This was exemplified in the Middle East where the United States spent a lot of aid money that accomplished little in the way of economic development. When aid dollars compete against each other, little to no development occurs and it erodes the effectiveness of the American aid system.

Trying to meet such a diverse and numerous set of goals is not a truly realistic undertaking. Setting lofty and impossible goals looks bad when evaluating efficiency and hurts the perception of American aid efforts. An important reason for carrying out aid in the first place is to improve the public opinion of the United States. Competing goals and subsequent inefficiencies undermine their efforts and needs to be addressed promptly. The Millennium Development Goals (MDGs) are a perfect representation of this. The goals set forward have been widely criticized as being overly ambitious, and as the proposed deadline draws near, it is abundantly clear that many countries will fall far short of the targets. While the MDGs are not a purely American effort, many American agencies are at the forefront of the efforts. When the goals inevitably fail to be achieved, the tides of optimism they once caused will turn. While the MDGs initially received praise for unifying activists and encouraging higher levels of spending towards aid, failure will leave a sour taste in the mouths of lawmakers, donors, and would-be recipients alike. It has the potential to lead to disillusionment on behalf of both donor nations and recipient nations.⁸⁸

A potential role model for streamlining the goal setting process is the British Department for International Development (DFID). They have a clearly stated central goal, which is "to promote sustainable development and eliminate world poverty." Using this target as a base in determining funding allocations and prioritization of projects allows for a much more streamlined process with one clear objective. It clarifies the intent of DFID and focuses their efforts more than their American counterparts allow.

Too Many Actors

The presence of aid organizations without specialization in a country hampers the distribution of the United States' foreign assistance. Too many aid organizations neglect to comprehend that a developing nation has more than one crisis that needs fixing such as health, education, poverty, and many more. The number of aid agencies (multilateral, bilateral, and non-governmental) has soared since the 1960's, and today there are almost 200 of them are active. According to economists William Easterly and Tobias Pfutze, "the U.S. has more than 50 different bureaucratic units involved in giving foreign assistance, with overlapping responsibilities for an equally high number of objectives."⁸⁹ Many organizations are concentrating on a particular issue like poverty while the country has problems such as inadequate healthcare, and educational system is counter-productive to holistic development of aid-recipient nations.

Many aid organizations operate in Afghanistan, such as the Afghanistan Relief Aid Organization, Food for Hungry, the World Food Program and United States Agency for International Development (USAID). All of these aid organizations with the exception of the World Food Program are United States-based and their goal in Afghanistan is to ending hunger and improving development. These groups do not function based on a particular field of aid, but of two or more. The World Food Program, for example, is the largest humanitarian organization in the world and raises food. They are all working towards the same goal but acting independently. Coordination and division of labor, at least with the American-funded aid groups, would improve aid distribution and provide a guarantee to the benefactor nations that their funding will be used as efficiently as possible.

Earmarked Spending and Bureaucratic Red Tape

Foreign aid funding is budgeted by Congress in a manner in which each dollar is earmarked and to be used exclusively for overly specific causes. While perhaps helping to curb corruption within the ranks of American aid organizations, this process does nothing to help facilitate an effective distribution of aid. As it stands, aid organizations lack the flexibility within their funding to respond rapidly and efficiently to crises and other emergencies. Restrictions on funding go as far as to label certain amounts of money exclusively for use on a certain demographic, for a certain issue, in a certain region, under certain circumstances. The money for this cause is essentially put in a box and cannot be reallocated to more urgent efforts should the need arise. This results in a fragmented system of implementation, both in the planning and funding aspect, as well as in the on-the-ground efforts. An excellent example of this is disease-specific funding. It often results in multiple overly specialized, separately funded, clinics in near proximity to each other rather than an integrated system of facilities. The communication and coordination between these clinics are just as poor as that of their respective agencies. The Ebola crisis truly exposed how flawed and

short-sighted of a system this is, as there was a lot of money already in the effected regions for HIV/AIDS, but agencies were not allowed to use it to build overall health systems or directly address the Ebola outbreak.

Another example of a problematic aspect of compartmentalized funding is that certain causes gain more funding because of trends in awareness and public opinion. In Rwanda, for example, healthcare aid is disproportionately geared towards HIV/AIDS, while the biggest issue is deaths resulting from birthing complications. In fact, while 63 percent of all official development assistance from the United States to Rwanda goes towards HIV treatment and care programs, Rwanda's HIV rate has never climbed above three percent of its adult population.⁹⁰ This is relatively low considering the average rate for Sub-Saharan Africa is roughly five percent.⁹¹ Meanwhile, the lifetime chance of a woman in Rwanda dying as a result of childbirth related complications is one in sixteen, one of the highest in the world. Despite this, maternal and child survival accounted for less than a quarter of United States funding for health in Rwanda.⁹² Funding needs to be allocated to where it is most needed, not where the decision makers can score popularity points.

In addition to hot-button topics affecting funding allocations, special interest groups play an important role in where money goes. These groups and other lobbyists are often given preferential treatments through legislative means at the expense of the recipients of aid. The most egregious example of this practice is food aid. According to a study by Barrett and Lentz, on behalf of the Global Agricultural Development Initiative, the United States food aid industry is driven by what has been coined the "iron triangle," consisting of the producers and processors, the shipping companies, and NGOs.⁹³ These groups have pressured legislators into restricting food aid laws in such a way that, as of 2006/07, almost all-American food aid, and a minimum of 75 percent of non-emergency food, was produced and processed within the Unites States, and a minimum of 75 percent of all food aid was shipped to its target destination on American flagged vessels.⁹⁴ Oxfam claims that 53 cents out of every dollar they spend on food aid goes to intermediaries as a direct result of red tape and regulations.⁹⁵ Due to various bureaucratic factors coupled with having to ship the food all the way from the Unites States, the food generally takes four to six months to reach its final destination.⁹⁶ In contrast, food produced in proximity to the region is often available to be bought and received within only a few weeks. These legal restrictions are literally costing lives because they drive up the cost of food aid and the time it takes it to reach those that need it. In this situation, the special interests of American business are placed ahead of hungry and needy people, proving that bureaucratic, earmarked spending creates an inefficiency in the American system that endangers human lives.

No Way to Measure Aid Effectiveness

It is extraordinarily difficult to measure the success and effectiveness of foreign aid. Lack of transparency is the primary reason that it is hard to judge the success of Americans aid efforts. There is little to no accountability for failures or inefficiencies with aid. For example, both the USAID and the State Department require evaluation only for their “larger-than-average and experimental/pilot projects.”⁹⁷ Projects outside of this definition require no mandatory assessment. Both these agencies have set budgetary targets to cap cost for evaluations at three percent and three-to-five percent, respectively.⁹⁸ This does not come close to being a sufficient amount of resources needed to carry out comprehensive assessments.

Transparency is an even bigger issue within military aid where it is virtually nonexistent. Due to the classified nature of many of these aid projects, it is impossible to evaluate the level of success there has been. Knowing so little significantly impedes attempts, both in evaluating military aid itself and in evaluating its influence in effecting developmental aid outcomes. As is true for solving any problem, here too, knowledge is key. With the severely limited information available regarding military aid operations, finding a solution is that much more difficult. Addressing issues of transparency and lacking communication between developmental and military actors is vital to both the improved implementation and monitoring of United States foreign aid.

The overwhelming amount of parallel and competing goals make it even harder to determine the success of American aid. In cases where there are several objectives to an assistance mission, it can be difficult to define what exactly constitutes success. Some projects have both developmental and strategic goals. To pose a hypothetical example, food aid might be requested and approved for a specific country or region. While providing food for the locals in need is set forth as an important goal, the higher priority objective in this case may have been to secure permission for American overflight privileges. These overflight privileges are often instrumental in military operations. Those interested in the success of the project may not care how well the developmental goals were met as long as the airspace rights were secured. With multiple objectives and strategic interests, such as those described above, it is difficult to determine how successful a project may be.

Aid-recipient Issues

Aid can create dependency

Dependency is matter of great concern for both aid-distributing and aid-receiving countries. Without proper follow-through and accountability, money given in good intent may discourage countries from making necessary reforms. If the progress of development is slow or non-existent, and policy-makers view the continuation of funding as the solution, then more aid is often

distributed even if there are no value-added benefits. In short, dependency can foster a vicious circle of aid furthering the poverty of the country. Liberia, for instance, was a country marred by a civil war that further hindered its development. Since 2003, the international community has donated billions of dollars to the nation and in 2011, Liberia received \$765 billion in aid money for development. Additionally, Liberia is a nation still battling for political stability. Thus the United Nations (UN) spends over \$500 million annually to maintain peace in the country. Despite all these money going into the Liberia, it is still one of the poorest nations in the world, where the majority of its population lives on less than \$0.50 a day and over 60 percent are illiterate. The lack of transparency in the government, the use of an outdate aid system, and the significant presence of aid organizations with different and often overlapping agendas has made Liberia dependent on aid and stalled it from developing on its own.

Corruption within government

American foreign aid is less effective when it directly goes to corrupt governments. This is a significant problem in poor nations, especially those with dictators. Mobutu Sese Seko is a good demonstration of this principle. Mobutu assumed the Democratic-Republic of Congo's presidency in 1961 and, by 1965, Mobutu had consolidated all legislative and executive powers to himself. Throughout his three decades reign, Mobutu participated in corruption, nepotism, and the embezzlement of more than \$4 billion from his country and up to \$15 billion from United States government as foreign assistance. He used aid money as personal funds to purchase homes in Morocco, go on shopping sprees in Paris, and throw a lavish wedding for his daughter, while Congolese citizens struggled to feed themselves and the nation's economy faltered.

Eventually, Mobutu's corruption was exposed, and he was ousted in May 1997. Four months after his exile, Mobutu died, but his legacy in the Democratic Republic of Congo is that of a ruthless leader, who left his country bankrupt and in a state where salaries are unpaid and "hospital patients have to supply their anesthetic, scalpel, surgical thread and gloves before a surgeon can operate..."⁹⁹. Foreign policy analyst Mvemba Dizolele states that,

"Today, Congo is embroiled in a conflict in its eastern provinces, an outgrowth of the 1998 war, which was so broad, complex, and violent that it's sometimes called "the African World War." Meanwhile, the government wraps itself in the macroeconomic discourse of the Bretton Wood institutions, touting GDP growth rates as proof of successful economic reforms. Still, for all the positive indexes and steady revenue flow, there are no signs of prosperity and investment in public services. Infrastructure for health and education has literally crumbled."¹⁰⁰

In other words, much of Congo's current predicament is attributed to Mobutu's kleptocracy. America foreign aid, when given to the wrong governments, does not help the intended recipients and is not used for the proposed cause. Instead, the money goes to the corrupt governments for personal consumption. The United States was aware of Mobutu's corruption and his misappropriation of the aid money, yet the government neglected to implement a comprehensible policy toward Mobutu and Congo. The United States also helped funnel the World Bank and the IMF loans to Mobutu's government, despite the fact that documents reveal that these administrations were aware that the money would be pocketed and remain unreimbursed. If the goal of United States foreign assistance is to increase development and decrease poverty in poor nations and then improved distribution methodologies must be implemented.

IMF and World Bank debt

Although the International Monetary Fund (IMF) and the World Bank are not directly governed by the United States, these organizations do receive enormous sums of money from the American government, creating the potential for policy changes led by the United States. Additionally, the IMF and the World Bank create conditions that allow and facilitate the distribution of the majority of American economic aid. Unfortunately, debt owed by poor nations often surpasses the foreign aid they receive. Some estimates claim that the ratio of money given compared to money sent back as debt payments is as high as one to eight.¹⁰¹ This enlightens the issue of ineffective aid to a certain extent: countries are burdened with too much debt and thus deprived of the ability to improve their infrastructure and serve their people. The IMF grants loans to countries overwhelmed by poverty, wars, and economic crises with the hope that they will have the financial capital to recover. Conditionalities and interest attached to these loans erode the ability of a nation to prosper.

Jamaica is a prime example of a country suffering from IMF-related debt. When Jamaica gained independence from Britain in 1962, it was left without adequate institutions needed to succeed in the post-war industrial world, and the country found itself going through an economic turmoil. In 1972, the Jamaican Prime Minister, Michael Manley borrowed money from the IMF, to reestablish Jamaica's economy and lift the country out of impoverishment. As a condition of the loan, the IMF asked Manley to privatize public sectors, cut back on educational and health spending to pay overseas bills, and borrow "short time frame loan, not long time frame loans, at full interest rates."¹⁰² Manley later describes this as financially unfeasible and unfair.

The IMF also wanted Jamaica to devalue their currency because they believed Jamaica "needed to expand their exports and diminish their imports and the best way, to do that is to make foreign currency more expensive."¹⁰³ The IMF believed these actions would reduce trade barriers and allow Jamaica to partake in the international market since it cannot survive on its own. Ultimately,

Jamaica became reliant on expensive imported commodities and their debt rose from \$800 million in the 1970s to \$7 billion by 2011 and its economy became “under the control of foreigners through the mechanisms of debt,”¹⁰⁴ hence contributing to Jamaica’s poverty today.

Many scholars believe that institutions such as the IMF are not in the third world to do any good but to push their foreign policy agendas. William Easterly, an economist specializing in economic growth and foreign aid states that,

“...many developing countries suffered... sustained increases in prosperity, accompanied by dramatic increases in inequality and child poverty . . . Under the auspices of IMF and World Bank adjustment programmes. In a country after country, structural adjustment programs (SAPs) have reversed the development successes...with...millions are sliding into poverty every year. Even the World Bank has had to accept that SAPs have failed the poor... Together with the IMF, it still demands that developing countries persist with SAPs.”¹⁰⁵

In other words, the IMF and World Bank are aware of the damages they have done to the peripheral countries, yet these institutions continue to drag those nations into debt while installing damaging agendas. Unfortunately, Jamaica’s story is not unique; Ghana, Zimbabwe, and Malawi have accumulated high debt since acquiring loans from the IMF and WB. Eventually, these nations witness *current account deficits*, in which they import more than they export, further contributing to their debt and lose economic competitiveness. Consequently, their economies are under the control of foreign ownership through debt. When countries such as Jamaica accrue such large amounts of debt that foreign aid is rendered negligible, it is time to reevaluate the mission and goals of foreign aid.

Conclusion

The history and current state of the United States foreign aid system show a worrisome trajectory, with the structure becoming more and more convoluted. A pattern of overcomplicating procedures and continuously creating new agencies and goals to deal with emerging problems has effectively hamstrung the efficient implementation of both Economic and Military Aid worldwide. Foreign Aid is an important facet of United States Foreign Policy and it cannot be allowed to fall to the wayside or develop an even greater quantity of inefficiencies. These problems are important to address to ensure the continued use of Foreign Aid as a tool to further both American interests and global development.

Section III

**The Third Piece of American Foreign Policy:
The Department of Aid and Development**

The Department of Aid and Development

Nathan Pieratt

The United States' current system of foreign aid distribution is divided into a multitude of organizations in a confusing bureaucratic structure with numerous objectives and overlapping agencies vying for goals.¹⁰⁶ American foreign aid distribution and its agencies can be cumbersome to navigate, provide redundant services, and lack the ability to actively peruse long-term, sustainable development projects.¹⁰⁷ It is clear that

“Proactively investing in stronger societies and human welfare is far more effective and efficient than responding after state collapse.”

United States National Security Strategy, 2010

American foreign aid must be reformed. The formation of a cabinet-level development agency, the Department of Aid and Development (DoAD), will be paramount to reestablishing American leadership in aid on the global stage. Defense, Diplomacy and now Development will act in conjunction to leverage each department's strengths and generate the most good for the most people around the globe.

This paper will address the United Kingdom's Department for International Development as an example for institutionalized and centralized commitment to development, make the case for the elevation of American foreign aid to a cabinet department, discuss our vision for the new Department of Aid and Development, and propose the structural organization of the DoAD.

The United Kingdom Department for International Development

In 1997, the United Kingdom addressed its own inadequacies in aid and development distribution. The UK remedied its weaknesses by the formation of the Department of International Development (DFID). This is a single agency that controls all major multilateral and bilateral aid programs. Some development experts argue that DFID is the most efficient and effective aid program in the world.¹⁰⁸ DFID is also quickly becoming the top choice for new members in the British civil service.¹⁰⁹ In its relatively short run, DFID has also been credited with boosting the image of the United Kingdom on the global stage while also rising domestic awareness of the need for aid abroad.¹¹⁰ Although not all elements of one system can be cloned and used for another, many from the DFID will be instructive as the DoAD moves forward.

Institutionalizing United States Foreign Aid

Maintaining the current system of American aid and development is not a viable option. The current system is built on the Foreign Assistance Act of 1961, put in place by President Kennedy.¹¹¹ There have been no systematic overhauls to the foreign aid system since then, and given the inefficiency and complexity of the system today, it is time for a reform. Using DFID as an example, creating an institutionalized and centralized commitment to development through a Department of Aid and Development makes most logical, practical, and fiscal sense.

The creation of a DoAD has been called for by several different research and governmental agencies. The Congressional Research Service (CRS) Report *Foreign Aid Reform: Studies and Recommendations* suggested creating an elevated department to implement aid and development.¹¹² A Brookings Institute report argues extensively for an elevated, single voiced American aid provider.¹¹³ Further yet, USAID has also looked to reform. The 2010 USAID *Forward* initiative has made major changes to the agency structure and objectives.¹¹⁴

Changes in the global political environment also warrant the reevaluation of American development policy. The events of September 11, 2001 changed the trajectory and role of the American military and diplomatic mission around the world. The Department of State and the Department of Defense are now involved with aid and development programs to a degree that had never before been conceived prior to September 11 or seen since the end of WWII. The increased involvement of our armed forces in aid and development projects can and has complicated the jobs of both the Department of State and Defense while simultaneously subjecting development objectives to the diplomatic and defense needs of these respective departments. In addition, this changing political context means that the military has steadily become the dominant face of American foreign policy exercised across the globe.¹¹⁵ Increasing the American commitment to foreign aid will give the United States a more peaceful image abroad while also cultivating critical political capital through development initiatives.

“Ultimately, a new, empowered department of global development is likely to be the model that holds the greatest promise of transforming the U.S. foreign assistance enterprise to lead in addressing the challenges of the twenty-first century.”

Brainard & CSIS, *Security by Other Means*

The United States leads the world in the total dollars spent on aid and development by any single nation, yet this does not mean that the United States is viewed as a development leader. Since 1997, DFID has allowed the United Kingdom to spend the same amount of money as the United States on foreign aid, but generate more positive influence around the globe. It is our hope that the DoAD will restore the United States’ position as a global leader in sustainable development.

Our vision

The proposals in this paper will push USAID from *Forward* to *Elevated*. Our recommendations are in large part a continuation of the progress that has already been made by USAID and the USAID *Forward* initiative of 2010.¹¹⁶ We build upon recommendations from the first Quadrennial Diplomacy and Development Review (QDDR)¹¹⁷ and the United States Congress HELP Commission Report of 2007,¹¹⁸ as well as the Joint Brookings Institute and Center for Strategic International Studies study of 2007.¹¹⁹

Partnerships within the existing Cabinet

The DoAD is formulated to maximize American political, diplomatic, defense, economic, and development leverage. A more coordinated, centrally-funded and long-term minded approach to aid and development will not operate in a vacuum. For this reason, the diplomatic expertise of the

“That for all our blind spots and shortcomings, we are a people with the strength and generosity of spirit to bridge divides, to unite in common effort, to help our neighbors, whether down the street or on the other side of the world.

President Barack Obama,

2015 State of the Union Speech

State Department will be indispensable. The Department of State will open doors for the DoAD while expanding both agencies’ sphere of influence and area of operation. The long history of rapid and massive mobilization that the Department of Defense has generated over its long history will also be a vital asset to the DoAD.¹²⁰ Working together, the DoD and DoAD will be able to achieve more in areas of the world hesitant to accept military personal alone.¹²¹

The three pillars of American foreign policy – Defense, Diplomacy, and Development – ensure that American interests are protected and American values are promoted around the globe. If we are to move forward in reclaiming world leadership in the development arena, then our policies concerning aid and development must move forward as well. Now is the time for restructuring, reforming, and retooling one of Americans best instruments, foreign aid.

Policy Proposals

- **Create the cabinet-level Department of Aid and Development with a corresponding Secretary of Development**

The Department of Aid and Development will be built on the foundation of USAID and elevated to become a peer to the Department of Defense and the Department of State. The Secretary of Development will be a presidentially-appointed, cabinet-level position. This

Secretary will work in conjunction with the President, Secretary of Defense and Secretary of State to make foreign policy decisions.¹²²

Creating a Secretary of Development will enhance the efficacy of American foreign policy by eliminating the bureaucratic inefficiencies that currently cloud the foreign aid system. By having a single figurehead and office to manage and finance foreign aid, American foreign aid will be coordinated, cohesive, and goal-oriented.

Further yet, the new Secretary will become a spokesperson for American aid and development at home and abroad. Following the formation of DFID, there was 9% jump in five years of people “very concerned” with aid.¹²³ High profile trips to both recipient and other donor nations by the Secretary will send a clear message of American aid intentions and its dedication to the reduction of suffering around the globe. This more public face for aid and development will be able to raise awareness both domestically and abroad of the good done by the DoAD by way of the United States and the American people.

- **Create five thematic branches of the Department of Aid and Development focusing on education, economic development, stability and reconstruction, environment and agriculture, and health**

Five undersecretary thematic offices will be at the core of the DoAD. These offices will work closely with the Secretary of Development. The division of the DoAD into thematic concerns will breed specialization rather than rivalry and will help enhance innovation in each field and the effectiveness of each office in contributing to the overall wellbeing of aid-recipient nations.

The five undersecretary thematic offices within the Department of Aid and Development include:

- The Office of Education
 - The Office of Economic Development
 - The Office of Health
 - The Office of Environment & Agriculture
 - The Office of Stability and Reconstruction
- **Create the Office of Funding and Allocation within the Department of Aid and Development**

The DoAD will elevate the existing Office of Budget and Resource Management (BRM) to the Office of Funding and Allocation. The Deputy Secretary of Finance will head this new office and work to ensure that long-term sustainable development programs receive funding. Since the majority of the current American foreign aid organizations operate under the auspices of the Department of State, foreign aid operations can also fall to the mercy of election cycle funding fluctuations or other politically polarizing domestic events.¹²⁴ This prevents American foreign aid from being able to focus on long-term sustainable development projects. The Office of Funding and Allocation will be there to bridge the gap between those that sign checks and those that cash them and work to remove unnecessary funding earmarks.

One key element of the office includes ensuring fluid and adjustable funding protocols. The current system places funds in appropriated accounts used for specific aid and development projects. The current system has been described as a fragmented at best.¹²⁵ Under the new DoAD funding structure this outdated practice will end. Taking its place will be a nimble appropriations environment that is flexible and also accountable.¹²⁶ This flexibility will be key and allow programs to be customized by those directly implementing them both on the ground and within the DoAD offices.

Another element of the Office of Funding and Allocation is to place emphasis on long-term projects that cultivate sustainability in aid-recipient nations and successfully return economic, political, security, and health benefits to the United States. Currently, long-term development projects compete against short-term projects which meet the United States' political and needs. When the DoAD is in control of its own finances, long-term projects will finally come to the forefront.

The Office of Funding and Allocation will also oversee Emergency Response Funds (ERFs). The purpose of having Emergency Response Funds is for the DoAD to have enough financial capital to use in order to ameliorate emergency situations through funds dedicated to stopping human suffering and preventing environmental damage without diverting funding from its pre-existing programs. These funds will be reserved only for use in times of crisis, such as natural disasters or times of extreme political unrest.

– **Create an Office of Transparency, Innovation, and Efficiency**

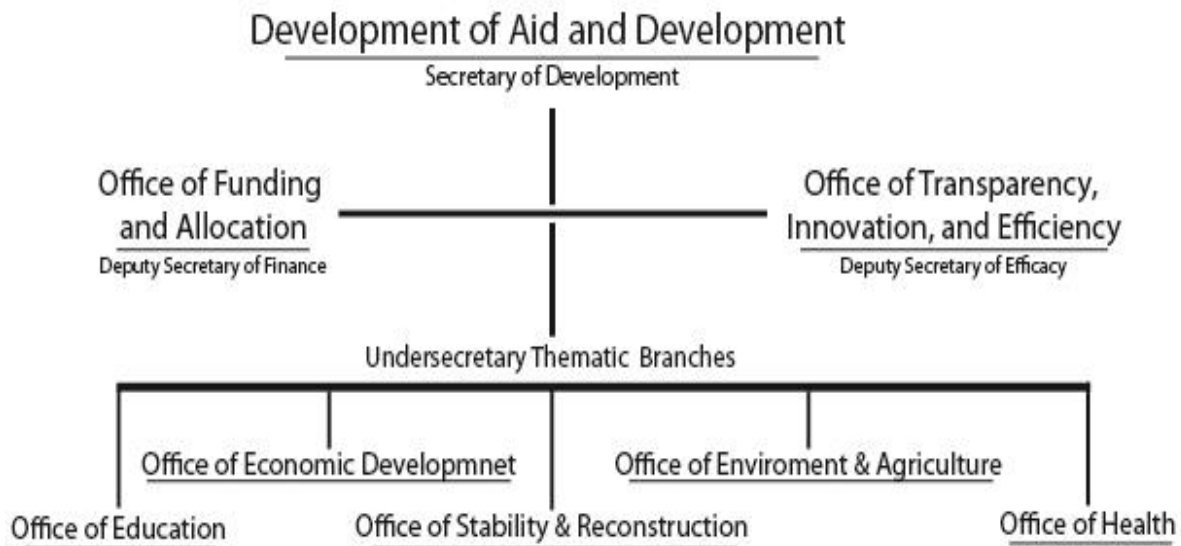
The DoAD must be willing to both adapt new practices and critique itself in order to ensure that the best foreign aid practices are in place. The Office of Transparency, Innovation and Efficiency (TIE) will fill this multifaceted, yet vital role, and the head of TIE will be the Deputy Secretary of Efficacy. The USAID *Forward* report states that

American aid will require the use of cutting-edge technology to inform strategic planning.¹²⁷ The report also expressed a desire to recapture the long tradition of discovery and innovation.¹²⁸ USAID has been a historic purveyor of groundbreaking innovations, the DoAD will follow it its footsteps.

The TIE office will institutionalize the DoAD’s commitment to transparency by adopting the seven initiatives outlined in the USAID’s 2012 Open Government Plan.¹²⁹ The TIE office will also continue to innovate in its search for best foreign aid and development practices. The USAID Development Lab will be a key player in this process and see its role increased in the upcoming DoAD. USAID’s Development Lab has helped to advance research while also allowing private industry to shoulder a larger share of the financial burden.¹³⁰ Director Shah’s objective is to grow the Development Lab into something more akin to that of the Department of Defense’s Defense Advanced Research Projects Agency (DARPA).¹³¹ When the United States’ commitment to development is institutionalized with the DoAD, a similar commitment can be made to innovation with the elevation of the Development Lab.

Efficiency is also a high priority for the DoAD. The DoAD will maintain an Internal Audit Department. The Internal Audit Department will foster the collection of constant strong and constructive feedback from experts in the field and at the DoAD office.

The organizational structure of the Department of Aid and Development is summarized in the following graphic:



Conclusion

The existing foreign aid system is convoluted, inefficient, and outdated. The foreign aid distribution system has not been reformed since 1961, when President Kennedy introduced the Foreign Assistance Act.

Given the passage of time and the rapidly evolving political, economic, environmental, health and educational challenges witnessed today, foreign aid is in desperate need of reform. The United Kingdom's Department for International Development (DFID) is an excellent model of centralized and institutionalized governmental commitment to development and effective foreign aid distribution.

Elevating the distribution of foreign aid to a cabinet-level department will solve the bureaucratic and financial obstacles hindering the efficiency of the current foreign aid system while simultaneously helping to project the United States as an international force for good abroad and cultivating sustainable development in the world's most vulnerable nations.

The Goals and Budget of The Department of Aid and Development

Lisa Buckner, Natalie Davis, and Melani Ortiz

Central Goal

The central goal of the Department of Aid and Development (DoAD) is to foster the economic sustainability and self-sufficiency of aid-recipient nations. This will not require an increase in funding, but rather more efficient use of the current budget. All projects and departments under the DoAD will be devoted to this primary purpose while targeting the key development areas of education, economic development, health, environment and agriculture, and stability and reconstruction. Under the Department of Aid and Development, the United States' development agenda will be streamlined through this set of unifying goals that provide a common direction for its work throughout the world and ensure that the budget is allocated effectively toward these purposes.

Education

Education is a fundamental tool for sustainably reducing poverty. Individuals that are able to read and write are better able to advocate for themselves, educated people secure more stable and better paying jobs, and educated women and girls lead to stronger economies. The mission of the DoAD's Education Branch is to ensure access to education for all. In working toward this mission, our efforts will emphasize:

- **Prioritizing education, particularly literacy, in the regions in which it is most lacking**
- **Addressing resource deficiencies that result in families not sending their children to school such as the cost of school supplies, need for supplemental income, etc.**
- **Targeting institutions and social constructs that discourage girls from attending school such as gender discriminatory and extremist practices**

- **Increasing the return on investment of education, particularly that of women and girls, to incentivize keeping children in school**

Education is a cornerstone of global development that lifts people out of poverty and has a multiplier effect on other areas of development such as health and economic growth.¹³² Educated people tend to be healthier because they are more informed about preventing the spread of disease, more proactively seek out and use health care services, and are able to afford better health care.¹³³ Higher levels of education are correlated with better health in children; among women in particular, education has the potential to stop up to 3 million avoidable child deaths due to the increased likelihood of educated mothers having safer births, vaccinating their children, and preventing, recognizing and treating major causes of child deaths such as pneumonia and diarrhea. In terms of economic growth, an increase of one year in the average educational attainment of a country's population boosts annual per capita GDP growth from 2 to 2.5 percent.¹³⁴ Education is a powerful tool for closing the inequality gap that perpetuates poverty. Global trends have shown dramatic reductions in income inequality in countries with increased proportions of the population achieving secondary education.¹³⁵ Some of the most significant obstacles to economic stability for many poor families are income insecurity as a result of inconsistent work and extremely low wages of the jobs available to the poor and uneducated; informal sector employment consists of up to 85 percent of total employment in some developing countries, with notably more women employed in the informal sector than men.¹³⁶ Lack of education and poverty work in a vicious circle in which there is a higher return on investment for impoverished families to put their children to work rather than sending them to school, which has resulted in 15 million children worldwide working rather than attending school.¹³⁷ Education breaks the cycle of poverty by enabling people to provide for themselves and their families in the long term while strengthening their ability to utilize social services and engage in the public sphere.

Literacy

Literacy is essential for economic, social and political participation and development, yet there are 774 million illiterate adults in the world, two thirds of which are women.¹³⁸ While Latin America, the Caribbean, and East Asia have experienced steadily rising literacy rates, they are improving at a much slower rate in Sub Saharan Africa.¹³⁹ Disparities in literacy rate improvement between regions raises concerns of certain regions falling behind while others experience more rapid development. Literacy is a significant source of empowerment for the impoverished, impacting all areas of life including health, work, and the civic sphere. The most basic skills, such as reading documents or filling out forms, can greatly improve the ability of an individual to self-advocate. Literacy rates must be significantly improved with an emphasis on the regions in which they are most lacking in order to empower the poor and reduce inequality.

Educating women and girls

Increasing access to education is especially pertinent to the young women and girls throughout the world that have been disproportionately denied the right to education. 62 million girls throughout the world are not in school.¹⁴⁰ Global trends show that gender inequality in education is higher at lower income levels,¹⁴¹ meaning that an education for women and girls in extremely impoverished regions in particular is of great concern. This is a challenging issue to confront because there is a complex system of factors keeping girls out of school that varies among regions. Throughout the developing world, 1 in 7 girls are married before they turn fifteen.¹⁴² Child marriage at ages as young as 8 or 9 is common in patrilineal societies in which wives are taken in by their husband's families because families that cannot afford to support all their children will resort to arranging marriages for their daughters.

In South Asia, where son-preference practices remain common, poor families that lack the resources to send all their children to school will prioritize the education of their sons over that of their daughters. In India, while the median boy in the poorest fifth of the country only reaches grade six, the median girl in the same income group only reaches grade one.¹⁴³ On the other hand, the educational attainment of wealthy boys and girls in India is very similar. In East African countries like Uganda the inability to afford feminine hygiene products and uncomfortable, unhygienic alternatives have caused female secondary students to miss as much as 20% of school days and drop out of school at a much higher rate than boys.¹⁴⁴

Women and girls in many parts of the world are also at risk of violence for attending school, as exemplified by the Boko Haram kidnapping of hundreds of young women from a school in Nigeria and the shooting of Malala Yousafzai by the Taliban on her way to school in Pakistan in recent years. This complex system of factors keeping girls from attending and finishing school indicates that simply funding education programs is not going to get more girls in school – the social and institutional roadblocks to girls' education need to be addressed.

Women and girls' education is a concern first and foremost because of the disadvantages that women face from being denied the fundamental right to education. There are also other key development areas that cannot reach their full potential as long as women and girls remain undereducated. As discussed above, educated women are an essential means to improving child health. Throughout the world, countries with higher gender equality have stronger economies;¹⁴⁵ without education, women's economic participation remains limited. In many societal structures in the developing world, women are responsible for agriculture and land management, which is important to note for sustainable farming and land conservation efforts given that education has been shown to increase environmental awareness and concern.¹⁴⁶ The education of women and

girls will reach far beyond its immediate benefits by contributing to other areas of development that need educated women and girls to achieve their full impact.

Economic Development

Economic development is a powerful force because it has the ability to improve lives across a broad spectrum. While international markets, industrialization, and economic policy on a national level occupy the spotlight when it comes to economic development, it is equally important to mark the impact of economic development on the regional, community, and individual levels in order for that growth to be sustainable. The models of economic development that poor nations have employed in the past, often due to policies accompanying conditional financial assistance, operated on the assumption economic growth on a national level can be assumed to benefit all people. However, inequality within countries as well as global inequality is on the rise.¹⁴⁷ This inequality is a concern because economic development that benefits a select few while leaving the rest behind does not achieve its purpose from the development perspective of reducing poverty, and it has been proven that “high inequalities for prolonged periods make it more difficult to sustain economic growth.¹⁴⁸” It is necessary to ensure that economic development is promoting sustainable growth while also reducing inequality. To that end, the mission of the DoAD’s Economic Development Branch is to promote equitable and sustainable economic growth. This will be accomplished by:

- **Encouraging the growth of developing markets through the reduction of regional and global trade barriers and promoting foreign direct investment**
- **Improving infrastructures to enable developing countries to reach their economic potential**
- **Implementing microfinance programs to help raise incomes and increase savings among the world’s poor**
- **Addressing the obstacles that corruption poses to economic growth**

Markets

Promoting the expansion of global markets is beneficial to large-scale economic development. The removal of trade barriers and promotion of investment in developing markets are effective methods for directly stimulating growth in these areas. Despite our contributions to economic development in poor countries thus far, these countries often face high trade barriers when looking to sell their goods internationally. Reducing regional barriers to trade boosts economic activity in poor regions

while reducing trade barriers between developing markets and industrialized nations will provide these nascent economies with larger markets for their goods. Additionally, facilitating public to private transfers in the United States will increase investment in developing markets that need the foreign direct investment to build their trade capacities.

Infrastructure

At the root of economic development is the basic necessity of functional and reliable infrastructure that makes economic activity possible. In addition to transportation infrastructure this includes reliable access to electricity, phone service, the internet, clean water, and basic sanitation that increase productive capacity. Whether it is the absence of a rail system to transport goods to port, poorly maintained roads or a lack of roads at all, poor transportation infrastructure is a major barrier to trade in many developing countries. Studies indicate that “better quantity and quality of infrastructure can directly raise the productivity of human and physical capital and hence growth” in regions like Sub-Saharan Africa.¹⁴⁹ Working to make the transportation of goods faster, cheaper, and more reliable is a simple but enormously effective way to enable higher levels of trade.

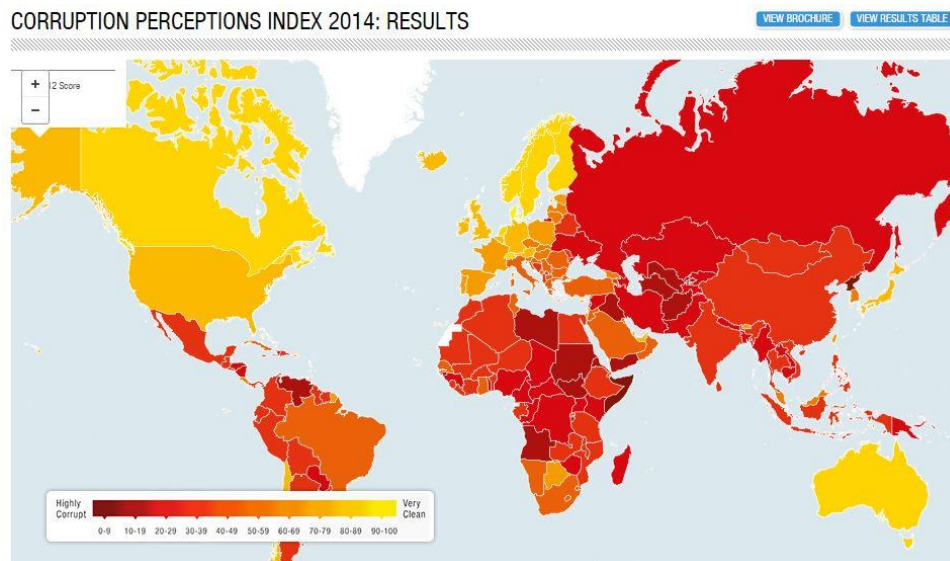
With the importance of technology in the modern global economy, the necessary infrastructure for economic development is expanded to the technological infrastructure of power grids, phone towers and internet access. In developing countries, nearly 2.6 billion people lack full time electricity access, up to 1.5 billion people lack reliable phone service, and almost 80% do not have internet access.¹⁵⁰ Technological deficiencies inhibit economic growth by limiting access to markets and information. Furthermore, nearly 800 million people lack access to potable water and about 2.5 billion people lack access to basic sanitation.¹⁵¹ Water access and sanitation contribute to productive capacity by freeing time previously allotted for collecting and preparing water for economic activity and reducing the loss of human capital caused by infectious diseases. The improvement of transportation, technology, and health infrastructures is essential for sustainable economic development.

Microfinance

The recent microloan boom has proven to be successful in helping farmers, artisans, and small business owners expand their enterprises and raise their incomes beyond subsistence levels, enabling them to save surplus income and put it toward long-term investments. Savings and investing in assets such as land and homes are monumental in overcoming poverty. Microloan programs are a relatively low cost, low risk method for getting struggling individuals off the ground and on the path to self-sufficiency. Kiva, for example, has experienced a repayment rate of 98.78 percent throughout ten years of operation.¹⁵²

Institutions and corruption

In many developing countries, the process of doing business operates within a system of corruption, payoffs, and favors, which ultimately discourages entrepreneurship. Furthermore, reliable institutions governing and enforcing fair business practices are often not in place. The sharp juxtaposition of developed and developing countries in the corruption map below indicates a strong connotation with corruption and underdevelopment. Establishing effective institutions and working to reduce corruption is pertinent to economic development in order to create environments in which participation in trade is more appealing.



“How corrupt is your country?” Transparency International.¹⁵³

Health

Human capital is a necessary input for economic development. A strong and available workforce comprised of healthy and able individuals is in itself a necessary resource a state must have to realize its economic potential. It is undeniable that such potential is threatened by dwindling human capital, which is the unfortunate reality many states face today because of poor health that continues to exacerbate the cycle of poverty. The DoAD seeks to assure all people the right to a healthy life. This will be achieved through:

- **Expanding access to vaccinations and antiretroviral treatments**
- **Developing sanitation infrastructure**

- **Expanding family planning services and increasing access to contraceptives**

The spread of infectious diseases and HIV/AIDS

Reducing the spread of infectious diseases is a top priority within DoAD's health program. Infectious diseases cause over 30% of deaths worldwide: this is a higher mortality rate than famine and war combined. Illness and death threaten educational attainment and working capacity, thus reducing the spread of such diseases is not only a matter of public health, but an economic interest as well. To exemplify this, the World Health Organization (WHO) estimates that malaria has slowed economic growth in endemic countries by up to 1.3% per year.¹⁵⁴ Malaria is one of only six diseases that currently cause 90% of disease-related deaths, the others being AIDS, tuberculosis, pneumonia, diarrheal diseases, and measles.¹⁵⁵ Though not highly prevalent in developed countries, together these six diseases kill millions of people annually. For example, in 2013 alone 1.5 million people died from tuberculosis, 95% of these deaths occurring in low and middle-income countries.¹⁵⁶ Tuberculosis is also the leading cause of death for HIV-positive individuals.¹⁵⁷ In 2013, AIDS caused 1.5 million deaths globally, and 35 million people continue to live with the disease.¹⁵⁸ The DoAD will recognize that reducing the spread of such diseases is imperative in order to achieve development goals, and therefore will prioritize this reduction within its health program.

Water and sanitation

The lack of access to clean water and proper sanitation increases the spread of infectious diseases, which in turn threatens human capital by reducing school enrollment, limiting working ability in adults, and in many cases, resulting in death. Currently, over 780 million people lack access to safe drinking water, and 2.5 billion people lack access to proper sanitation practices and infrastructure.¹⁵⁹ Consumption of unsafe drinking water continues to be one of the leading causes of the 2.2 million yearly deaths caused by diarrheal diseases.¹⁶⁰ The nearly 800,000 yearly deaths of children under the age of five by diarrheal diseases exemplifies the direct impacts unsafe drinking water and improper sanitation have had globally, as 88% of diarrhea cases can be attributed to these culpabilities.¹⁶¹ The DoAD will prioritize water and sanitation projects under its health program so as to address the spread of infectious diseases.

Maternal health

In 2013, nearly 290,000 women died during pregnancy or childbirth. In sub-Saharan Africa, this amounts to one in every 38 pregnant women.¹⁶² This pattern of poor maternal health represents an inadequate health care regime in poverty-stricken regions that not only contributes to infant and child death or poor health, but also destabilizes families and communities and results in the loss of

potential human capital. Increasing access to family planning services is a necessary step in improving maternal health as they assist women in having children at their healthiest times, which prevents unnecessary child death from miscarriages and below-optimal birth spacing. Family planning services also assist in preventing unintended pregnancies, which have negative effects on economic growth. With every pregnancy and child born, families incur increased costs for both surviving and non-surviving children, which reduces investments in education and health per child as well as per adult, leading to lower labor productivity and reducing the potential of human capital.¹⁶³ Family planning services and increased access to contraceptives is cost-effective for both families and the public-health sector, which bear the cost of pregnancy complications and unsafe abortions. Senegal offers testimony to this claim: from 2009 to 2013, USAID-funded contraceptives prevented 620,000 unintended pregnancies and 1,300 maternal deaths, which saved families and the public health sector an estimated \$42 million.¹⁶⁴ Maternal health, inextricably linked to sustainable economic development, will be prioritized under the DOAD's health program.

Conclusions

Health is both a contributor to and an indicator of sustainable development. Poverty is the reason why children remain unvaccinated, why proper sanitation practices and clean water are unavailable, and why maternal deaths continue. Yet because of poor health, the cycle of poverty is exacerbated. Family income and nationality should not determine a child's ability to reach a fifth birthday, one's access to sanitation, or one's likelihood of dying from an infectious disease. The DoAD will be committed to improving health in developing countries, not only to foster sustainable development but also to improve the livelihoods of the world's most marginalized.

Environment and Agriculture

In much of the developing world, agriculture is the basis for economic growth. Agriculture depends on a healthy and stable environment; however, such an environment is constantly threatened by unsustainable land management, unattainable land tenure and property rights, climate change, and degradation. Sustainable economic growth in developing countries begins with the land and natural resources, and thus it is imperative that they be protected and used sustainably and optimally. The mission of DoAD's Environment and Agriculture branch is to promote the optimal and sustainable use of natural resources so as to protect livelihoods and food security and promote sustainable economic growth. This will be achieved through:

- **Developing agricultural and land management education initiatives**
- **Assisting in securing land tenure and property rights**

- **Creating climate resilient development initiatives to assist developing states in reducing vulnerability to climate extremes**
- **Protecting biodiversity and natural resources through promoting conservation efforts**

Food security and sustainable land management

Only 11 percent of the world's land surface is suitable for agriculture, and 38 percent of this land has already been degraded by unsustainable land management practices.¹⁶⁵ As the agriculture sector is the basis for economic growth in much of the developing world, it is imperative that land management be sustainable to secure a thriving agriculture sector for future generations. Sustainable land management practices include ensuring soil quality through crop rotation and diversification, improving waste removal and treatment, safeguarding water quantity and quality and guaranteeing safe storage and use of agricultural chemicals. These practices are central to increasing returns on investment in agricultural productivity, which not only contributes to environmental health and economic growth, but will assist in curtailing the chronic food insecurity faced by nearly one billion people in the world today.¹⁶⁶

Land tenure and property rights

When land tenure and property rights (LTPR) are adequately protected, individuals are more likely to capture the returns on their investments in the land. In this way, securing LTPR increases incentives for farmers to invest and ultimately increases income and economic development. In addition, it decreases the likelihood of conflicts over ownership of land and empowers smallholder farmers, which increases agricultural outputs and expands economic growth. The USAID property rights program in the Central African Republic demonstrates the benefits of LTPR: since 2009, [the program] has resulted in a reduction of mining-related conflicts from 142 to just 4 active conflicts in 2012; and a five-fold increase in incomes in the project area from 2010 levels in 2011."¹⁶⁷ Unfortunately, many developing countries continue to struggle with building legal structures that secure land tenure and property rights. Doing so is the foundation to increased agricultural outputs, food security, expanding the rights of various marginalized groups including women, and overall economic development.

Climate change

The challenges associated with climate change disproportionately harm developing countries, as they are more dependent upon climate-sensitive natural resources. The World Bank estimates that developing countries would bear 75 to 80 percent of the costs of damages caused by climate

change: “even two degrees Celsius warming above preindustrial temperatures – the minimum the world is likely to experience – could result in permanent reductions in GDP of 4 to 5 percent for Africa and South Asia” compared to 1 percent for the developed world.¹⁶⁸ If sea levels rise by just one meter this century, more than 60 million people and \$200 billion in assets (primarily in agriculture) in developing countries will be threatened.¹⁶⁹ Global growth continues to be driven by carbon-based energy, and it is estimated that by 2035, global energy demand is expected to rise by 30 percent and electricity demand by 70 percent.¹⁷⁰ It is thus essential to address climate change by developing renewable energy resources and energy-efficient technologies, especially in developing countries.

Conservation

At least 1.6 billion people depend on forests for their livelihood, and 2.6 billion people depend on wild fisheries for food and income.¹⁷¹ Under the environment and agriculture program, the DoAD will prioritize wildlife conservation in order to ensure the sustainability of and continuous access to resources necessary for income and livelihood. This program will support conservation zones in wetlands and coastal areas to ensure a sustainable source of income and achieve food security. It will also support sustainable tourism practices. The tourism industry is one of the top five “export income-earning categories for 83 percent of developing countries;” over \$200 billion is spent on tourism in developing countries each year.¹⁷² While tourism is essential to generate income and contribute to economic growth in developing countries, and while it provides incentives for governments and communities to protect natural resources upon which much of the tourism industry in developing countries depends, the sector also contributes to the degradation of wildlife and the displacement of locals from locations they require to secure their livelihoods. Promoting conservation and biodiversity, which must include promoting sustainable tourism, is necessary for a healthy environment and the long-term use of natural resources upon which developing countries depend.

Conclusions

Natural resources are a cornerstone of sustainable economic growth in developing countries. It is imperative that they be protected and used both optimally and sustainably, through conservation, protecting land tenure and property rights, addressing climate change, and promoting sustainable land management to promote food security.

Stability and Reconstruction

Between 1981 and 2005, countries affected by violence and instability saw a 10 percent increase in the number of people living on less than \$1.25 a day, as well as a poverty rate 21 percent higher

than a country that saw no violence.¹⁷³ Violence, instability, and poverty are inextricably linked. Not only does conflict take human lives, but it destabilizes institutions, destroys infrastructure, and weakens economies, all of which are necessary foundations for economic development and poverty reduction. The World Bank estimates that “for every three years a country is affected by major violence...poverty reduction lags behind [peaceful countries] by 2.7 percentage points.”¹⁷⁴ The mission of the Stability and Reconstruction branch of the DoAD is to promote democracy, stability, and security by:

- **Providing legal assistance and training to enhance capacity-building within judicial institutions**
- **Promoting fair elections, transparency, and anti-corruption initiatives**
- **Assisting in disaster relief through collaborating with various NGOs**

The judiciary and the rule of law

Strengthening judicial institutions promotes peace and stability by providing citizens with security and justice. A strong judiciary is the key to adequate enforcement of the rule of law, and together these mutually enforcing agents form a foundation for economic growth by curtailing violence and crime. This creates an attractive investment climate by preserving the security of person and property.¹⁷⁵ USAID estimates that “countries weak in government effectiveness, rule of law, and control of corruption have a 30 to 45 percent higher risk of civil war and significantly higher risk of extreme criminal violence than other developing countries.”¹⁷⁶

Democracy

It is undeniable that democracy protects basic human rights and civil liberties, hence fostering stability and growth. For example, a democratic and accountable government is necessary for the protection property rights, and as previously outlined, property rights are inextricably linked to economic growth. This is not to say that democracy directly leads to economic growth; in fact, in many cases it was economic growth that fostered democracy, such as Singapore under Lee Kuan Yew.¹⁷⁷ However, it is undeniable that democratic institutions, inclusive and sound governance, and fair elections foster peace and stability. In this way, democracy is crucial to economic development.

Disaster recovery

Natural disasters affect nearly 100 million people each year, and cause more than \$100 billion in damage.¹⁷⁸ By destroying infrastructure, threatening human capital, destabilizing institutions and fostering violence and criminal activity, natural disasters are the antithesis to sustainable economic growth. The DoAD will thus play a long-term role in disaster recovery by assisting affected states in reconstruction until stability has been determined.

Conclusions

Promoting reconstruction and stability in areas affected by violence and disasters is crucial to promote economic growth and protect basic human rights. Strong judicial institutions, adequate enforcement of the rule of law, the protection of democracy, and disaster reconstruction all foster peace and security and are inherent to sustainable growth.

Budget Proposal

The current foreign aid budget is capable of achieving the desired impact of the DoAD, but **in order to accomplish the comprehensive goals of the DoAD, the budget must be allocated more efficiently.** In short, requesting a larger budget for foreign aid is unnecessary because it is both unfeasible and unneeded.

Given the tepid economic recovery and the current budget deficit, the political climate is unsuitable for budget increase. Additionally, there remains the possibility of sequestration, which would result in a sizeable decrease in the budget. Furthermore, the American public perceives far more of the federal budget is given to foreign countries than the actual amount: Americans frequently estimate foreign aid spending to lie between 25 and 30 percent of the entire federal budget, while spending is in actuality about 1 percent of the budget.¹⁷⁹ Because of the discrepancy between perception and reality, voter support for increases would be hard to find. Conversely, the United States faces international pressure to increase the aid budget. As part of United Nations development initiatives, specifically the Millennium Development Goals, the United States is expected to spend, as percentage of gross national income, 0.7 percent on aid. In 2013, the United States spent just under 0.2% of its gross national income on aid.¹⁸⁰ Because of failure to meet this goal, there has long been international pressure on the United States to increase spending on aid.

Thus, policy-makers find themselves in a bind due to lack of domestic support for more aid funding while simultaneously confronting international calls for an increase. Fortunately, an increase in the amount of money spend on aid is unnecessary. The current level of aid would be sufficient if the chronic, systematic inefficiencies were properly addressed.

The Food for Peace program exemplifies such inefficiency. In this program, the United States buys food from American producers and ships it to recipient countries to help provide food security. This results in the food market being flooded with goods, so local food producers go out of business and must rely on aid to survive.¹⁸¹ A more efficient food security program would be one that buys food directly from foreign producers. By doing this, these producers would have the opportunity to grow their businesses, which would promote self-sufficiency and sustainability.

As another example, American contractors are frequently hired to complete projects abroad. The use of American contractors in foreign development is initially justifiable because both American citizens and the targeted populations benefit. However, heavily utilizing American contractors recurrently results in project outcomes that fall far short of their goals. In the end, only a small proportion of the money actually benefits the local community. To address this, many countries are trying to create legislation that requires a minimum level of local participation in industrial and other workplaces.¹⁸² To use the budget more efficiently (and simultaneously produce better results) the United States could mandate that a proportion of project staff be contracted from the local community. Hiring and training these employees would produce human capital and a sustainable resource for future projects of a similar nature. Eliminating the use of American contractors would be difficult due to the nature of domestic pressures and lobbying efforts, but this compromise demonstrates the concept of more impactful and efficient spending.

It is clear that requesting more funding is not necessarily the best option. Rather than expanding our budget, we must allocate our existing budget more efficiently. If funding is evaluated for sustainability, inefficiencies and unnecessary monetary waste can easily be avoided.

Conclusion

Maximizing the impact of the current budget rather than attempting to increase it is crucial to accomplishing the DoAD's comprehensive goals. The Department will encourage sustainable development by increasing access to education and healthcare, promoting equitable and sustainable economic growth, promoting optimal and sustainable use of natural resources, and fostering democracy, stability, and security. Ultimately, these targets will aim to reduce inequality, foster sustainable development, and promote the self-sufficiency of recipient countries. These development and budget goals will enable the DoAD to make a positive global impact on behalf of the United States.

Enhancing DoAD and Donor Coordination

Jennifer Dunn

Introduction

The number of agencies, non-governmental organizations, and private sector donors dedicated to funding international development have proliferated over the last three decades, a phenomenon which has been described as “a global associational revolution.” The number of NGOs associated with development work registered in countries of the industrialized north totaled 1,600 in 1980. By 1993, there were approximately 28,900 international NGOs worldwide, and as of 2010 this number rose to roughly 40,000.¹⁸³ Although official development assistance (ODA) accounts for the largest proportion of international developmental aid, private development assistance (PDA) flowing from developed to developing countries reached approximately \$45.3 billion in 2011, compared to \$135.9 billion of ODA. NGOs contribute 58% (\$26.2 billion) of total PDA, while foundations and corporate giving account for \$7.1 billion and \$8.2 billion respectively.¹⁸⁴ While a more diversified donor landscape has led to greater fragmentation in aid delivery, it also presents an opportunity for the United States Department of Aid and Development to harmonize efforts between all actors to effectively leverage resources, share best practices, and collectively create a trajectory towards ultimately magnifying the impact of international development assistance.

The establishment of a consolidated Department of Aid and Development combats negative consequences associated with lack of coordination between United States agencies providing foreign assistance. However, coordination between the DoAD, other donor governments, and the private sector including NGOs, foundations, and corporations remains a significant obstacle to maximizing the potential of global aid distribution. With the implementation of effective coordination mechanisms, the DoAD will facilitate the efficient distribution of sector-wide resources. Furthermore, these mechanisms will play an important role in forming strong and capable partnerships dedicated to improving the lives of the global community. Though challenges to executing coherent coordination strategies exist, it is of utmost importance to advance harmonization efforts in order to improve the current United States Foreign Aid Policy as a whole. The following sections outline three recommendations for increased donor coordination: annual sector-wide conferences convening stakeholders, expansion of overseas donor coordinators

working within emerging donor countries, and the establishment of in-country coordination officers working within donor recipient nations.

Case Study: Failed Donor Coordination

The impact of poor donor coordination is exemplified in Afghanistan, where overlapping agency objectives have contributed to aid inefficiencies. Donors seldom interact with one another or with the Afghan government leading to inadequate strategic management in sector and geographic allocation of resources. In 2010-11, the World Bank estimated that only 12% of aid was delivered ‘on budget’ and an estimated 82% of external aid bypassed the Afghan government. The Afghan government states it does not have information on how one-third of all assistance since 2001 was spent, totaling \$5 billion.¹⁸⁵

This lack of coordination within the country has led to major underfunding in certain sectors. Most donors have dedicated their funding to health and education leaving energy, agriculture, rural roads, and irrigation neglected. In 2009, thirteen aid organizations worked within the energy sector; however, there was minimal electricity in the country, even in large urban centers.¹⁸⁶ Rural areas of the country where 70% of the population lives have received only a small fraction of total assistance. For instance, agriculture has received less than 4% of ODA in the country.¹⁸⁷ Duplication efforts have also remained a significant issue across the country. In one district, three separate programs were operating with overlapping objectives, often times within the same villages without collaboration. Orzala Ashraf, a Civil Society Activist explained, “In some cases these are creating more conflicts and more confusion at the district level. I can say that probably the same organization or the same donor is funding both projects in a larger picture.”¹⁸⁸ In addition, the most insecure provinces, including Nimorz, Hemland, Zabul, Kandahar, and Uruzgan have received up to \$450 per capita, while other more secure provinces have been allocated as little as \$50 per capita.¹⁸⁹ Addressing this is of utmost importance because it would bring lasting stability to regions that are currently receiving inadequate support.

These issues associated with inadequate donor harmonization have led to greatly inefficient allocation of resources. Between 2005 and 2006 major donors contributed \$1.36 billion to development aid in the country. The local impact however, measured only 31% of this total or the equivalent of \$424 million. Further, although United States official development assistance was six times that of ODA from the United Kingdom, it is estimated that the local impact was only twice as much.¹⁹⁰ Despite more recent efforts to improve coordination and communication, development aid in Afghanistan has not yet reached its full impact. While the aid picture of Afghanistan presents an example of failed coordination, mechanisms can still be established to increase aid impact.

Donor/Stakeholder Conferences

Policy proposal

- **The United States Department of Aid and Development will establish annual sector-wide conferences for each thematic DoAD sector in order to bring together all major actors and stakeholders in a collaborative forum. Conferences will access potential for pooled funding mechanisms and for the development of public-private partnerships.**

Annual and biennial sector-wide conferences assembling donors and stakeholders have proved as effective mechanisms for enhancing aid agency coordination and improving aid effectiveness. Conferences serve as a space where aid donors and stakeholders involved in a specific issue convene. These topics include: progress reports and monitoring, including measurements and indicators, budgets and mobilization of financial support, best practices, and harmonization to ensure that all parties remain fully informed of progress and challenges within the particular sector. Conferences function as a forum for all foreign aid actors to collaborate on a course of action that ensures resources are used efficiently to create the strongest and most sustainable impact. Three examples of successful conferences hosted by organizations include: The International AIDS Conference under the International AIDS Society, Global Washington, and the Global Partnership for Education. These conferences have done an exemplary job bringing together all actors within a specific sector to increase coordination, share knowledge, and magnify the effectiveness of each respective party involved.

The International AIDS Conference's research-sharing model

- **Commitment to research sharing will be emulated within DoAD sector-wide conferences, following the example set by the International AIDS Conference**

The International AIDS Society is an association of medical professionals with over 16,000 members from 176 countries working on a multilateral global response to HIV/AIDS. The International AIDS Society was established in 1985 with the purpose of organizing the International AIDS Conference (IAC). Since 1985, the society has organized twenty conferences, currently held biennially in rotating member countries. The IAC is the world's leading conference on HIV/AIDS, and it strengthens organizational relationships between HIV/AIDS related aid agencies. Participants in the conferences include donors, delegates in the field of medicine, research, government, and advocacy, as well as representatives

from communities most affected by HIV/AIDS. The most recent conference, AIDS 2014 held in Melbourne Australia, assembled over 13,600 delegates from over 200 countries.¹⁹¹

The greatest strength exhibited by the IAC is its effectiveness in sharing scientific research. Research in this field is constantly changing, thus remaining updated on recent discoveries is crucial for the timely implementation of strategies that are proven to work. Using recent scientific developments and sharing of best practices, members work to collectively chart strategies and solutions moving forward. All HIV/AIDS programs and policies the IAC endorses are evidence based, ensuring their work has the greatest impact possible.

Commitment to research sharing will be emulated within DoAD sector-wide conferences. Time allocated specifically to sharing of research by scientists and research experts will be a crucial component to each conference. This will strengthen the impact of aid dollars by funding strategies that are scientifically sound. Development solutions devised during conferences will be evidence based to warrant success of programs.

The success of IAC conferences is measured by feedback shared by attending delegates and recorded in the IAC Impact Reports. The AIDS 2012 Impact Report found that

“The diversity of concrete examples provided by survey respondents is a clear indicator that the International AIDS Conference has the potential to influence national, regional and global HIV responses in different areas, and serves as a catalyst for policy change, elaboration of strategies, revision of protocols and/or guidelines, better access to HIV-related services, increased awareness and advocacy, increased engagement of key leaders, better collaboration between national, regional and international stakeholders, new research and initiatives, and increased attention to the rights of most-at-risk populations.”¹⁹²

One of these concrete examples was reported by a Brazilian researcher who wrote that “the scientific discoveries and policy issues presented at the conference have been crucial to the formulation of national...legal framework of universal access to ARV policy in Brazil.”¹⁹³ In the same report, an economic researcher and academic from Mexico said, “The conference was the opportunity to meet existing partners in person, which strengthened ongoing collaborations we had for one big project with several countries in Africa. It was also an opportunity to meet with new organizations from across the globe, especially with a team in South Africa we now work with on a regular basis.”¹⁹⁴ The IAC is an effective method for collaboration, using a holistic approach to produce meaningful results on the local and international level.

In addition, 86% of surveyed delegates reported that the 2012 AIDS Conference had influenced their individual and/or organization's work, while 50% said the conference improved or refined work practices and methodologies. 36% of delegates initiated new projects, programs and/or research, and 32% extended and/or expanded existing projects, programs, and/or research. 64% of delegates reported that they shared information, best practices and skills gained at the conference with colleagues, managers and/or partners, and 39% of delegates created new partnerships as a result of attending the conference.¹⁹⁵

Global Partnership for Education's pooled funding model

- **The DoAD will create a pooled funding model, the effectiveness of which has been demonstrated by the Global Partnership for Education.**

The Global Partnership for Education (GPE) is a multilateral organization that partners with developing countries, donors, international organizations, civil society, the private sector, and private foundations to enhance harmonization between stakeholders. The GPE is dedicated to a single sector with the mission “to galvanize and coordinate a global effort to deliver a good quality education to all children, prioritizing the poorest and most vulnerable.”¹⁹⁶

GPE's objective successes can largely be credited to its coordinated funding mechanisms. Donor contributions are pooled into a single fund and are dispersed through mutually agreed upon strategies and programs. GPE funding is also unique because developing country partners devise their own education sector plan and fund the largest proportion of the costs. GPE allocates grants from the collective donor fund to fill financial gaps.¹⁹⁷ This promotes country ownership and self-sustainability. Furthermore, resource replenishment conferences held every three years bring together donors, partner country representatives, and other stakeholders to establish financial commitments over a three-year period. Once financial pledges are made, realistic outcomes and targets are developed. For example, during GPE's second replenishment conference for 2015 to 2018, donors committed a total of \$3.5 billion. With this funding, GPE created six achievable outcomes in 66 eligible countries. One outcome was to reduce the number of children not completing primary education from 7.6 million to 4.8 million.¹⁹⁸ The conferences also stress the need to develop standard indicators for each target and standard measurements in order to accurately assess achievement of target goals.

The DoAD will emulate the GPE pooled funding model whenever possible. The GPE has produced successful results largely as a consequence of pooled resources and allocation of

funds according to mutually approved strategies. Pooling funds enables the formation of standardized indicators and measurements, making progress easier to track and share with other organizations and governments. Another GPE funding model the DoAD conferences are recommended to adopt is encouraging donor nations to first devise a strategic country-financing plan. Then conferences with coordinated funding mechanisms can identify areas that need additional funding. This promotes self-sufficiency of aid recipient countries while also reducing aid dollars spent without losing impact.

Impressive results reported by the GPE exemplify the achievements that are made possible as a result of working together to achieve common goals. For example, 22 million more children are in primary school with the help from GPE partners since 2003. 69% of girls in GPE countries now finish primary school compared to 56% in 2002. Since 2004, 300,000 teachers have been trained in GPE countries. In twenty-eight GPE countries, gender parity in primary school completion has been achieved. Between 2000 and 2011, the number of children out of school decreased by sixteen million in GPE countries. Since 2004, 53,000 classrooms have been constructed and 50 million textbooks have been distributed in primary schools in GPE countries. Finally, \$4.3 billion in grants have been allocated to education by GPE since 2003, while \$2 billion of these grants have been allocated to fragile and conflict-affected partner countries.¹⁹⁹

Global Washington's coordination model

- **The DoAD will emulate the coordination model set by Global Washington to encourage active communication and collaboration between NGOs, private corporations, academic institutions, and foundations.**

Global Washington is currently spearheading the coordination and cooperation between a multitude of global development organizations operating within Washington State. The organization's mission is to strengthen coordination in the development sector in order to improve efficiency and make a collective impact. Officially launched in 2008, Global Washington has grown to 170 members, including NGOs, private corporations, academic institutions, and foundations. It leverages resources and promotes cross-sector partnerships with members working to reduce poverty and disease, increase access to health care and education, protect the environment, and strengthen economies and self-sufficiency in communities.²⁰⁰

One of the most significant accomplishments of Global Washington is its emphasis on promoting efficient and effective partnerships with NGOs and private sector institutions. Global development partnerships have led to the creation of innovative products and

solutions as a result of creative collaboration. The organization works alongside NGOs to create networking opportunities and with businesses to promote partnerships that can foster a collective global engagement strategy. Global Washington further connects foundations and philanthropists with the opportunity to help fund active development projects in over 160 countries. Foundations are able to share their expertise and knowledge with emerging or small NGOs, ultimately engendering meaningful partnerships.²⁰¹

The DoAD will utilize this model to foster sector-wide partnerships with private sector corporations, foundations, and NGOs within the United States. The DoAD will make connections with companies and nonprofits working in global development to create innovative solutions and business engagements that will ultimately have a greater global impact. Further, the DoAD will inform foundations and other aid organizations of current or future development projects that require additional resources. Leveraging resources toward common projects and goals prevents fragmentation and the creation of unsustainable ‘pet projects.’ Coordinating aid entities through networking on a national level will strengthen the United State’s overall response to global development. By developing a collective approach, developmental aid actors are more transparent and accountable to each other, improving the effectiveness of United States development aid.

Public-private partnerships examined

- **The DoAD will further encourage engagement in public-private partnerships through the examples set by Global Washington, DFID, and USAID.**

The current diversified donor landscape has created the opportunity to engage in innovative public-private partnerships (PPPs) that bring together non-traditional actors to leverage resources towards common development objectives. Public-private partnerships are characterized as collaborative and concerted development efforts between government and private partners, including corporations, universities, foundations, and other nonprofit organizations.²⁰² PPPs offer a multitude of development benefits that provide reciprocal gains for partners and aid recipient nations.

One advantage of PPPs is the sharing of risks and resources. Costs and financial risks of development programs are lowered for each partner through joint resource contributions. Development projects that governments or private institutions may be unwilling to support entirely on their own are often taken up jointly through public-private partnerships. Furthermore, partnerships enable project implementation on a larger scale as well as cost savings based on scale. As a result, partners earn larger development returns on their investments.²⁰³ Secondly, partnering with private sector entities encourages more

sustainable practices and increases the program's chance for success after government aid has ceased. Partnerships also mobilize industry expertise and technologies in development solutions. Additionally, private sector partners have the capacity to establish presence in areas that the public sector cannot. Private institutions and corporations expand the scope of development projects through extensive supply chain power and established networks and contacts, broadening market access and networking opportunities. For example, through the EXIT alliance, USAID partnered with MTV to reach a widespread global audience spreading the message against human trafficking and promotion of HIV/AIDS prevention.²⁰⁴ Conversely, governments exhibit comparative advantage through specialized development knowledge, relations with other governments, and first hand knowledge of strategies that have proven effective.²⁰⁵

One example of a successful development partnership is the case of M-Pesa, which leveraged technology to expand accessible financial banking services to Kenyan citizens. In 2007, before M-Pesa was created, three out of five Kenyans were unable to access financial services. The United Kingdom's Department for International Development (DFID) partnered with technology companies, Vodafone and Safaricom to launch M-Pesa, a mobile phone banking system. Through text messages, the banking system allows users to make deposits, withdrawals, and money transfers. The financial risk of the program was assumed by DFID, which provided a safe investment for Vodafone and Sararicom to provide the necessary technology and services. As of 2013, 70 percent of Kenyan adults used M-Pesa to manage personal finances and business transactions.²⁰⁶

Another example of the power of PPPs is exhibited through the Association of Private Operators in Uganda. With support from the German Technical Corporation and the Ugandan government, the Association of Private Water Operators in Uganda (APWO) improved access to water through a sustainable system while also stimulating local economies. The APWO works as follows: the government finds sites, facilitates community land purchases, and subsidizes installments. The cost of connecting a singles household to the water source costs \$321, however the household only pays \$35.²⁰⁷ This is a significant subsidy that makes water access much more realistic for the poor. Private operators distribute the water, assure safety regulations are met, and have the option of retailing the water themselves or subcontracting out the function in the form of retail outlets or kiosks. A five-member Water Board comprised of local residents has ownership of the assets, sets tariffs and policies for their community, and mediates possible disputes between the operators and the community.²⁰⁸ Both M-Pesa and APWO provide excellent examples of how the government, the private sector, and civil society can effectively work together to successfully execute development solutions.

Public-private partnerships have become an important instrument added to the international development toolkit. As mentioned previously, the DoAD will employ the PPP model exhibited by Global Washington, DFID, and USAID to promote sector-wide partnerships with private sector corporations, foundations, and NGOs within the United States and globally. PPPs have generated impressive results, making their expansion a priority goal of the DoAD. Annual sector-wide conferences organized by the DoAD will provide a networking space for fostering the creation of effective public-private partnerships.

Proposed annual sector-wide conferences summarized

- **Each of the five undersecretary offices within the DoAD will, while collaborating closely with the Secretary of Development, determine the logistics of the conferences according to each respective target area.**

Conferences will represent the five undersecretary offices outlined by the DoAD. Each office will work closely with the Secretary of Development to determine how conferences will be broken down given the complexity of the issue. Conference participants would ideally include all major stakeholders on a particular topic, and participation will not be limited to donors. It is essential that conferences convene private donors including NGOs, foundations, corporations, donor governments, aid recipient governments, multilateral aid organizations, scientists, and research experts. Donor entities will discuss specific development work and quantified amounts of aid dollars spent. Progress reports, detailing successes and challenges will accompany this discussion. Improved monitoring through the establishment of standard measurements and indicators will be a main goal. Once an assessment of financial potential has been completed, stakeholders will devise achievable goals moving forward. Lastly, conferences will outline collective long term-strategies, identifying points of comparative advantage between donors in order to allocate resources most efficiently.

Conference conclusions

Using a combination of strategies outlined in the International AIDS Conference, Global Washington, and the Global Partnership for Education, the DoAD will create comprehensive conferences that will increase access to information and knowledge, improve monitoring and evaluation strategies, and mobilize financial support to ensure that aid in every sector is better coordinated and effective. The principal goal of the conferences is to establish a coherent understanding and awareness of all the parties involved in a specific issue in order to gauge geographic and financial scope. The second goal is to access potential and encouragement of developing public-private partnerships. The third goal is

to access where pooling of resources would realistically be possible. Pooling of resources through donor partnerships is ideal because it lessens administrative burdens, increases flexibility and speed of allocating funding, improve coordination with donors and donor recipients, and scale up development work through common objectives and activities.²⁰⁹ However, stakeholders often have conflicting goals and strategies, making pooling mechanisms challenging. Preliminary conferences with the objective of bringing all actors together will thus serve as a space to access if pooling resources is possible.

Coordination Officers: Donor Countries

Additional efforts to coordinate between bilateral and multilateral donor institutions have taken place through the employment of foreign coordination officers in other donor nations. These officers have played a crucial role in increasing aid effectiveness by reporting information concerning aid flows to donor institutions. The recent growth of the number of countries providing development assistance necessitates an expansion of coordination officers to key emerging donor nations.

Policy proposals

- **USAID Senior Development Counselors presently working under the Office of Development Partners will maintain their current positions under the Department of Aid and Development.**
- **The DoAD will appoint additional Senior Development Counselors to key emerging donor nations. One Senior Development Counselor will be assigned to each of the following areas: Saudi Arabia to work in coordination with Turkey, Venezuela to work in coordination with Brazil, India, South Korea, South Africa, and Russia.**

Current coordination positions in donor countries

The Bilateral and Multilateral Donors Division under the USAID Office of Development Partners was established to enhance donor coordination between the USAID, other donor governments, and multilateral institutions. This division is also responsible for organizing international and regional meetings with development partners, bilateral donors, and multilateral agencies.²¹⁰²¹¹ To further facilitate increased aid effectiveness, USAID appointed Senior Development Counselors under this division to work overseas with key developmental aid agencies and governments. Currently, these counselors are assigned to Beijing to work with Chinese agencies; Brussels, to work with the European Commission and other European institutions; Geneva, to work with the United Nations and the United

Kingdom's Department for International Development; Paris, to work with the OECD; and Rome, to work with multilateral food security organizations.²¹² Senior Development Officers are valuable for reporting to the USAID on new programs and development plans within a wide range of global development institutions. Currently, these counselors work on the ground to monitor aid flows from existing dominate donors to aid recipient countries. However because the global donor landscape has experienced immense transformation, there is a necessity to expand these services to address this change.

In addition to the incredible growth of private sector donors, the number of emerging donor countries has also increased in recent years, especially in regards to South-to-South donors (developing nations providing aid to other developing nations). In the last decade, rapid economic growth experienced by major developing countries has led to an increased participation by these countries in international affairs. In 2008, South-South aid totaled an estimated \$15.3 billion, making up 9.5 percent of total development assistance.²¹³ Of developing countries, the highest contributors of developmental aid are China, Saudi Arabia, India, and Venezuela, donating \$2 billion each in 2008, and India with \$750 million. South Korea, Turkey, South Africa, Russia, and Brazil are also making their way onto this scene as important donors.²¹⁴ South Africa has planned to increase its global development assistance to 0.2 -.5% of its GNI in the foreseeable future, while South Korea pledged to increase its official development assistance to .25% of its GNI by 2015.²¹⁵²¹⁶ The increased role South-South donors are playing in the global development effort makes scaling up coordination efforts even more crucial. Furthermore, South-South donors currently do not report to the OECD-DAC. This makes tracking financial flows difficult, further contributing to duplication risks, inefficiency, and unequal allocation of resources. A scale up of coordination officers expanded to these emerging donor governments and subsequent aid agencies would largely improve coordination and mitigate such risks.

Proposed coordination counselors in donor countries

Senior Development Counselors will be responsible for reporting to the DoAD the quantified current and future developmental aid flows between countries, specific sector disbursement (i.e. water and sanitation), form of assistance, and delivery mechanisms. Counselors will reciprocally share DoAD donor reports to donor governments and major aid agencies within their domain of work in order to expand information sharing and harmonization. While Senior Development Counselors are appointed to specific countries, their work will undertake a regional scope, working with surrounding emerging donor nations and aid agencies as done previously. Since South-South donors do not report to the OECD/DAC, counselors working on the ground with Southern government donors and

agencies are necessary to develop a comprehensive picture of what work is being conducted at any given time.

Coordination Officers: Aid Recipient Countries

Coordination officers operating within aid recipient nations are vital for aid coordination efforts on the local level. Officers work with aid agencies on the ground to harmonize programs and report changes in aid recipient countries that may affect development assistance. Though coordination officers are currently utilized, expanding their location to more countries will significantly increase their impact.

Policy proposal

- **The DoAD will appoint a Donor Coordination Officer to work overseas within every country the DoAD contributes development assistance.**

Current coordination positions in aid recipient countries

Existing aid agencies and governments often have on the ground officers that work within donor recipient countries to oversee country or regional missions. For example, one of the United States Ambassadors in Kabul also serves as the Coordinating Director for Development and Economic Affairs in Afghanistan. This position was created to supervise United States foreign assistance within the nation, which includes the responsibility of improving coordination with other donors and the government of Afghanistan.²¹⁷²¹⁸ In addition to mission directors, the USAID has often designated Donor Group Representatives who are responsible for attending donor meetings within mission countries. In a USAID mission in Nepal, the representative was given the task of “familiarizing oneself with the Paris Declaration principles, and being aware of USAID barriers to full implementation of the Paris Declaration in Nepal (such as OFAC, financial requirements, host country contracting requirements, indicators, pooled funding, etc.)”²¹⁹ These representatives are useful for ensuring that programs are in line with USAID objectives and donors are aware of the work each other are doing at a given time. While coordinators are currently utilized on the ground (in some donor recipient countries), the impact of their work would be more substantial if they were more widespread.

Proposed coordination officers in aid recipient countries

Coordination officers will remain in close contact with aid recipient governments, multilateral institutions, NGOs, and private donors working within each country to remain

updated on new information. On the ground coordination officers will oversee that long-term strategies and goals between donors are carried out. Conference sessions will meet annually, leaving room for discrepancy between donor's individual country programs within sectors that don't engage in pooled funding. By maintaining constant communication with donors and recipient governments, coordination officers will help protect against program duplication and under allocation of resources to particular areas of the country. Coordination officers will organize donor working group meetings, which bring together representatives from various organizations working in a given country.

Coordinators also act as eyes on the grounds for donors. They have first hand experience of what is going on within an individual country at any given time and therefore will report to donors on how aid money could be better spent. For example, if an emergency occurs within the nation, such as a natural disaster or epidemic, coordinators would report to donors, effectively redirecting funds to where they are needed the most. Coordinators are also mindful of local situations and will recognize changes in the political, economic, or social sphere that may affect certain programs, delivery mechanisms, and necessity of funding. Finally, coordination officers help monitor the progress of development programs to identify what programs are successful and which could be improved.

Conclusion

The international donor landscape is becoming increasingly more complex, especially as private development assistance and South-to-South cooperation proliferates the globe. While this diversified pool of actors has contributed to aid fragmentation, at the same time, these new actors have increased the amount of resources available for enhancing development objectives abroad. This proliferation presents the opportunity for improved aid effectiveness through coordinating efforts among donors and stakeholders. Though harmonization efforts currently exist, it is necessary for them to be expanded and improved upon in order to realize the full potential of the global effort on international development. Sector-wide conferences, expansion of Senior Development Counselors, and Donor Coordination Officers operating on the global, regional, and local level are the critical tools needed to achieve heightened donor coordination and an improved developmental aid system for the benefit of all. As the number of developmental aid actors continues to grow, a heightened focus on improving transparency of aid flows is the crucial next step to improving United States Foreign Aid Policy.

Improving Foreign Aid Transparency and Evaluation Mechanisms

Stephanie Sampson

In order for aid to be more effective, it must become more transparent and have better evaluation mechanisms. All parties involved benefit when the foreign aid distribution community (including governmental organizations as well as nonprofit organizations) publishes high quality information about aid expenditures and their results. When money is traceable, it enables better coordination between donors, increases specialization between aid agencies, helps recipient governments better plan their budget expenditures, and facilitates learning based on accumulation of research, shared evaluations, and effective practices. In addition, more information about aid distribution allows citizens and the media to hold governments accountable for the implementation of aid. Since the DoAD strives for self-sufficiency among its recipient countries, aid programs must demonstrate that they are contributing to this goal with tangible results. Aid programs must go beyond measuring success simply as the amount spent, and also focus on the results achieved.

In this section of our paper, we will first describe the methods the existing governmental aid institutions use to measure the effectiveness of aid and the challenges that prevent thorough evaluation. Then we will provide policy proposals that will enable the new Department of Development, through its Office for Transparency, Innovation, and Efficiency, to measure the effectiveness of individual aid projects and enforce transparency mechanisms to ensure the government and the public can easily follow where who aid is being distributed to and how these funds are being used to tangibly improve lives and reach development objectives.

Current Evaluation Techniques

Evaluation mechanisms

The Department of State, USAID, and other United States aid agencies each have their own methods of evaluating their foreign aid programs. Depending on the nature of the project or program, staff and contractors might monitor the miles of road built or changes in the use of fertilizers by farmers. These results can be compared to the initial program goals and expectations to determine whether the project or contract has been performed successfully. This type of oversight is called **performance monitoring**. A **performance evaluation** is the analysis of data

from a performance monitoring report in an effort to explain how and why a program meets or fails to meet strategic objectives. Performance monitoring and evaluation are widely viewed as essential aspects of oversight, and performance evaluations represent the vast majority of foreign aid evaluation to date. **Financial audits** by the agency Inspectors General, which examine whether funds are used as intended, are also a common form of evaluation, particularly within the State Department.

Performance evaluation and financial audits play an important part in project management, but do not provide thorough insight about foreign aid effectiveness. A more effective method of aid evaluation, which accounts for effectiveness, is an **Impact Evaluation**. Impact evaluations use a defined counterfactual, or control group, and baseline data to measure change that can be attributed to an aid intervention.²²⁰ Impact evaluations look at an activities impact on a specific development objective. For example, a performance evaluation of an HIV prevention project could give data on the amount of public awareness events held or condoms distributed, while an impact evaluation of the same program would monitor changes in the HIV/AIDS infection rate of the targeted population.²²¹ This method goes beyond the specific numbers of a program, and gives facts on how the program is improving the community. The best way to conduct an impact evaluation is through the use of randomized controlled trials, in which beneficiaries are randomly selected from a prequalified group and compared before and after the program to those not selected.

Impact evaluations are key to determining the effectiveness of a foreign assistance program. However, impact evaluations are generally far more complex and resource-intensive than performance evaluations. Agencies implementing foreign assistance must balance the potential knowledge to be gained from impact evaluation with the additional resources necessary to carry out such evaluations. As a result, while aid officials have long recognized the potential learning benefits of impact evaluation, the use of rigorous impact evaluation has been, and continues to be, very limited. More typically, agencies aim for evaluation practices that are, as one expert has put it, “cost-effectively rigorous,” and, at minimum, “independent, transparent, and consistent, thus persuasive.”²²²

Aid agencies’ evaluation policies

United States government agencies managing foreign aid distribution each have their own distinct evaluation policies, though these policies have recently come into closer alignment. The Quadrennial Diplomacy and Development Review report of December 2010 stated that USAID would reclaim the leadership role with respect to evaluation and learning, and referenced a new USAID evaluation policy in the works to reflect the growing demand for results data and attempt to address persistent evaluation challenges.²²³ That policy took effect in January 2011, and the State department followed suit in February 2012 with a new evaluation policy similar to USAID’s

revamped evaluation policy. Both of these programs attempt to balance the costs and expected gains from evaluation and primarily utilize performance monitoring and performance evaluations. This prevents USAID from gaging the full impact of the programs and focuses primarily on making evaluation affordable. As policy, both agencies require performance evaluations only of what they define as larger projects and experimental and pilot projects. Both agencies also include a target allocation of funds for program evaluation: 3% for USAID and 3% -5% for State.²²⁴ The policies share an emphasis on accessibility of information, with provisions to promote consistent and timely dissemination of evaluation reports. Both policies do emphasize the learning benefits of evaluation and accountability, yet this is not followed through in how their programs are evaluated.

The USAID policy establishes required features for evaluation reports and specifies that evaluation questions be identified in the design phase of projects, issues which the State policy does not address. USAID states that most evaluations will be conducted by third party contractors or grantees to encourage impartiality, while State's policy does not explicitly mention use of independent evaluators. State's evaluation reporting requirements also focus on internal dissemination, while USAID requires public availability. According to State officials, however, many of these issues are fleshed out in subsequent internal guidance documents and the State and USAID policies, in practice, differ only on the use of impact evaluation. USAID's policy calls for impact evaluation whenever feasible, while the State policy sets a clear expectation that impact evaluation will be rare.

The Millennium Challenge Corporation's (MCC) evaluation policy shares many elements of the State and USAID policies, but goes further in many respects. The MCC requires independent evaluations of all projects, using indicators and baselines established prior to project implementation.²²⁵ The MCC's 2012 policy revision adopts definitions from USAID's 2011 evaluation policy and includes a new section on institutional learning. The update also appears to move closer to the USAID model with respect to impact evaluation, calling for impact evaluations "when their costs are warranted," whereas the previous iteration referred to independent impact evaluations as an "integral part" of the MCC's focus on results.²²⁶ The MCC policy still appears to have the strongest enforcement mechanism among the three agency policies, conditioning the release of quarterly disbursements on substantial compliance with the policy. USAID's policy, in contrast, calls only for occasional compliance audits, and State's policy does not address compliance at all.

Challenges to Effective Evaluation

The current evaluation emphasis on measuring impact and broader learning about what works is not new. It was the basis of USAID evaluation policy in the 1970s and at various times since.

Nevertheless, a 2009 meta-evaluation of American foreign aid programs indicated that rigorous impact evaluation—the kind that could determine with credibility whether a specific aid intervention or broader sector strategy worked to produce a specific development outcome—was rarely attempted. Of the 296 evaluations reviewed, only 9% reported on a comparison group and only one used an experimental design involving randomized assignment, the method most likely to produce accurate data.²²⁷ A 2005 review of USAID evaluations focused on democracy and governance programs found that “as a group, they lacked information that is critical to demonstrating the results of USAID projects, let alone whether the projects were the real cause of whatever change the evaluation reported.”²²⁸ This gap between evaluation goals and actual practices has been documented repeatedly over the history of United States foreign assistance; so too have the challenges that make it difficult for implementers to achieve ideal evaluation practices in the field.

Mixed objectives

One significant challenge to evaluating aid effectiveness is the mixed objective nature of aid. There are often both strategic and developmental objectives in an aid package, which may or may not be acknowledged in budget and planning documents. For example, assistance to Uzbekistan may be requested and appropriated for specific agriculture sector activities, but may be motivated primarily by a desire to secure flight privileges for American military aircraft bringing troops and supplies to Afghanistan. An evaluation of the agricultural impact may be of no use to policymakers who are more interested in the strategic goal, nor to aid professionals who are unlikely to view any lessons learned in these circumstances as applicable to agricultural development projects in a less politically affected environment.

Despite the political and diplomatic considerations that arguably underlie the majority of foreign aid, strategic evaluations that examine those objectives are seemingly rare. This comes as no surprise; such evaluations are often politically sensitive. Nevertheless, evaluation that focuses only on the development or humanitarian impact of a particular program or project, when broader strategic objectives are drivers of the aid, may largely miss the point.

Lack of transparency

Improving the transparency of aid is essential for the efficient and effective use of resources and to enhance the quality of both planning and decision-making processes and subsequent implementation. Opacity in the foreign aid system is detrimental both to the country giving aid and to the countries receiving it. Aid-recipient governments often struggle to know with precision how much aid is invested in their country, from whom, and how it is being spent. For example, in

2007 the Sierra Leonean government received USD \$26 million less from donors than it had budgeted for, much of which had been earmarked for spending on poverty reduction.²²⁹ This not only affects how aid resources are utilized but it also has an impact in the allocation of their own resources. Even in the most aid dependent countries receiving the highest levels of aid, domestic resources remain greater than external support levels. The issues here are two-fold: a lack of funds means that plans cannot be implemented, whilst a lack of predictability or future aid information means that government officials invest less in future planning processes. Donor ‘fickleness’ is, unfortunately, not an uncommon experience for recipients. At the macro-economic level, not knowing how much external aid is flowing into a country undermines macro-planning and stability thus affecting exchange rates, monetary supply and fiscal policy, potentially making poverty reduction harder to achieve.

Weak aid transparency as well as planning and implementation deficiencies also undermine evaluation and learning at both the technical and political level. It is not possible to evaluate a program’s effectiveness or efficiency when a significant proportion of resources in a sector or region remain unknown.

Greater transparency of the foreign aid distribution system reduces unpredictability whilst comprehensive information on the terms and conditions of aid projects is essential for removing excess conditionality. Without information on inputs, results cannot be managed or be held accountable. Aid transparency is needed for the coordination and redirection of efforts, to improve the division of labor between donors, and to better direct resources in relation to recipient countries’ own efforts. Transparency is a prerequisite for effective country-led development, and ownership by recipients.

Policy Proposals

As mentioned in a previous policy proposal, the Office of Transparency, Innovation, and Efficiency will be established within the Department of Aid and Development. The Office of Transparency, Innovation and Efficiency will be a fundamental cornerstone of the DoAD, as it renders foreign aid traceable, accountable, and malleable. This office holds the DoAD accountable for ensuring that every aid program is effectively monitored, that data is readily available to the public, other government agencies, and to the countries receiving the aid. This department would oversee all the bureaus to provide oversight on whether or not policies are being monitored effectively, and if data is clearly being made available and that funds are being tracked thoroughly. The following policy proposals will elaborate upon the Office’s structures and how increased transparency will contribute to the efficacy of development initiatives.

- **Create a Deputy Secretary of Efficacy in charge of The Office of Transparency, Innovation, and Efficiency**

An effective way to ensure that the Office of Transparency, Innovation and Efficiency (TIE) can thoroughly provide department-wide oversight is to elevate the head of the department to a Deputy Secretary position. This role will be called the Deputy Secretary of Efficiency and its role will give increased importance to the department, and will streamline its effectiveness while promoting transparency as a fundamental pillar of the DoAD's work. The Deputy Secretary will communicate with other directors to coordinate transparency initiatives, hire staff to oversee each department's evaluations, and set incentives for thorough inspections. This keeps the department focused on monitoring transparency, as the Deputy Secretary will be held responsible if programs or funds are overlooked or unaccounted for.

- **Institutionalize a commitment to foreign aid transparency by improving upon existing aid mechanisms and working in conjunction with evaluation measures proposed by the international community**

The Office of Transparency, Innovation and Efficiency will implement transparency and evaluation mechanisms by improving upon mechanisms that have already been created. In recent years, many initiatives have been created to increase transparency in aid distribution within United States and internationally. The DoAD will work in line with the existing Memorandum on Transparency and Open Government, which focuses on encouraging the varying aid agencies to work together to ensure the public trust and establish a system of transparency, public participation, and collaboration. Furthermore, the Open Government Directive seeks to ensure greater accountability in government with specific instructions and milestones for achieving greater transparency, participation, and collaboration across the Executive Branch.

The Office of Transparency, Innovation and Efficiency will work in conjunction with the transparency measures proposed by the international community. This commitment is part of a long-standing American effort to enhance aid effectiveness, consistent with its endorsement of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The Open Government Partnership (OGP) launched at the United Nations in September 2011 is a global agreement between dozens of nations to set basic standards of openness.²³⁰ As part of the OGP effort, the United States developed a National Action Plan, which requires increasing transparency in foreign assistance by releasing government-wide reporting guidance. The Foreign Assistance Dashboard was created in response to the principles of the Paris Declaration on Aid Effectiveness and President Obama's Open

Government Initiative. The goal of the Foreign Assistance Dashboard is to enable a wide variety of stakeholders, including American citizens, civil society organizations, the Congress, American government agencies, donors, and partner country governments, to examine, research, and track American foreign assistance investments in an accessible format.

Creating an office that oversees transparency mechanisms will be instrumental in ensuring that foreign aid contributes more to development. Greater aid transparency accomplishes this objective by assisting recipient governments to better manage their aid flows and by empowering citizens to hold governments accountable for how assistance is used. With a clearer understanding of how the recipient country is progressing and what the effect of the programs are, the United States will be better positioned to maximize the impact of the nation's resources and investments. Focusing on improving transparency will also increase international accountability. Greater access to information about assistance will help developing country governments and international civil society to hold donors accountable for the quantity and quality of aid flows. Institutionalizing the commitment to transparency not only benefits the government by giving them more insight into where the money is going, but it will contribute to the greater understanding of the tax-paying public of the depth of the DoAD's work in aid and development, will engage stakeholders and other aid donors by noting both successes and failures of aid programs. Making our information accessible also benefits our local implementing partners as it gives them more information and insight on how to confront developmental challenges. In addition, giving more information to the people who benefit from our programs empowers to find how to best benefit from our aid and also find their own solutions.

- **Prioritize the accessibility of foreign aid distribution information to the public through the publishing of comprehensive, high-quality data**

In order to make a lasting commitment to transparency and effectiveness, the DoAD must prioritize the collection of high-quality, impact evaluation-level data that can be used to increase agency accountability and responsiveness. The need for strong and constructive feedback from a varied base of experts both in the field and in the home office is an indispensable part of the DoAD moving forward.

The Office of Transparency, Innovation and Efficiency will encourage maximum coverage and comparability across agencies, donors, countries, and types of flows and should publish data in a common standard to ultimately enable global comparisons across data sets. The more comprehensive a data set, the more the department will learn from each successful and unsuccessful programs. Comprehensiveness and comparability will also increase the

relationship between the major donors in development aid, as results will be easy to share and all players will be able to learn from our programs. We must be collaborative when addressing development issues so that all institutions and corporations can improve their mechanisms and projects.

The DoAD's foreign aid data will be published with the level of detail, quality, and speed needed to enhance government development planning and empower citizens to hold their government accountable. This will include detail on where, when, on what, and to what effect assistance is planned, committed, planned for disbursement, and spent. Multi-year forward projections of this data will be included to the extent permitted by law and regulation.

The Deputy Secretary of Efficacy will ensure that each department within DoAD provides thorough reports on their data to the TIE office, which will then visualize and package the data in ways that make it easy for non-experts to understand and use. The DoAD will also develop strategies for delivering the data in useful formats to partner governments. This will give aid-recipient governments more information on what donors are investing in in their country and will allow for more collaborative partnerships between governments. The TIE office will make this information accessible to the public by:

- Publishing all data on the Foreign Assistance Dashboard (FAD)
 - Utilizing a program similar USAID's crowd source initiative which pinpointed Development Credit Authority Loan Data²³¹
 - Creating a Dollars to Results webpage that will increase accountability by making data linking dollars dispersed to results achieved
 - Publish geocoded maps to make data sets easy to read for the public
- **Incentivize innovation in best development and foreign aid distribution practices**

The DoAD will continue to build upon the success of USAID's Development Lab (DevLab). The DevLab has helped to advance research and private partnership in collaboration and development.²³² Combining research agencies under one roof will foster collaboration, focus and reduce redundant initiatives. DFID has a similar research focused division the Central Research Department (CRD), which has been successful in generating interest in the foreign aid field among some of the United Kingdom's best and brightest young scholars. It is our goal to integrate this level of innovation into the American foreign aid system by elevating the position of the DevLab in conjunction with the DoAD. The DoAD will strive to incentivize employees to create new programs to monitor aid, implement aid, and to create new and better aid programs and projects that are adequately equipped to tackling the globe's ever-changing development needs.

- **Combat and limit corruption in aid-recipient countries by closely tracking the distribution of foreign aid funds**

Greater transparency in the foreign aid distribution system is a prerequisite for holding not only donor governments accountable, but also holding aid-recipient governments accountable for the domestic distribution of these funds

Making aid distribution more transparent will leave less room for recipient governments and contractors to use aid for corrupt, unstated purposes. Since some aid-recipient nations are especially dependent on foreign aid to supplement government revenue, and those same aid-dependent countries also tend to be the most corrupt. As the share of aid that a given recipient collects from transparent donors increases, more is known about the details of specific development projects implemented within that recipient country. The greater degree of information enables interested parties, including the media and citizen, to track the projects and verify that the money was spent for its intended development purposes.

If the DoAD monitors its aid more closely and exhaustively, there will be less room for money to go unaccounted for and end up in the hands of corrupt politicians. Thoroughly monitoring aid will contribute to the DoAD's goal of helping developing countries become self sufficient and sustainable, because instead of handing money directly to governments, the DoAD will focus on giving aid to programs and governments with a track record of healthy distribution and tangible results. Tracking the money trail will give the United States government more oversight to how aid funds are being used. This will decrease the risk for corruption, as governments will not have the power to use funds for any purpose. By closely monitoring aid programs and projects, and evaluating their results, there is a better chance that aid will be used to benefit the majority of a nation's population instead of falling into the hands of the political elite.

Conclusion

For foreign aid to be most effective, its practice must be transparent with specific, realistic, and sustainable goals. By elevating the United States' international development objectives into a cabinet-level Department of Aid and Development with a single goal of fostering sustainability in aid-recipient nations, the chances of increasing foreign aid's efficacy is much higher. Nevertheless, the Department of Aid and Development must contain an Office of Transparency, Innovation, and Efficiency to institutionalize its commitment to responsible aid distribution practices.

The Office of Transparency, Innovation, and Efficiency will build upon existing foreign aid evaluation protocols (such as the completion of impact evaluations for aid programs, following the Memorandum on Transparency and Open Government, the Open Government Directive, and more) and the Deputy Secretary of Efficacy will ensure that these evaluations take place. Further yet, the Office of Transparency, Innovation, and Efficiency will continuously foster the adoption of innovative aid program and evaluation practices through the DevLab.

This office will also be responsible for distributing high-quality, comprehensive, and accessible data to the public. By ensuring that the United States' foreign aid distribution practices is readily available, the American public as well as the publics in aid-recipient countries can monitor governmental activity and also follow the flow of money to limit corruption.

In order to achieve these objectives, we propose the following measures:

Trade, Tariff, and Investment Infrastructure Reform

Devin Lake

In addition to foreign aid consisting of financial transfers, trade and investment can be effective engines of economic development that works to alleviate global suffering. The United States' global development policy strives for sustainable development and ultimate self-sufficiency for developing nations. The United States has shown its commitment to foreign development assistance through the creation of, and participation in, multilateral development organizations. As a world leader, the United States is in a unique position to push for trade and investment reform in multilateral development institutions such as the IMF and World Bank, as well as the WTO. In addition, American investment agencies and trade preference systems are an integral component to United States economic foreign development. While these programs have been beneficial to some developing nations, critics point out that there is ample room for improvement in their implementation. Trade preference systems and foreign investment policies should be reformed to increase investment in, and market access for developing nations.

Trade Preference Systems and the African Growth and Opportunity Act (AGOA)

Policy Proposals

- **Expand AGOA beyond Sub-Saharan Africa to include all developing countries.**
- **Decompile Rules of Origin (ROOs) on apparel and manufactured goods to incorporate more textile and manufactured products under AGOA**
- **Expand AGOA coverage to include more agricultural products to increase participation in the program**
- **Enhance regional trade by encouraging AGOA member countries to reduce tariff and non-tariff barriers on imports from other AGOA countries and incentivizing AGOA exporters to source from regional AGOA countries**
- **Incorporate a graduation process into AGOA that allows more economically advanced countries to exit from the program once they arrive at a determined level of development²³³**

Trade preference systems are an important instrument for economic development. Trade preference systems are unilateral, nonreciprocal programs designed to provide developing nations access to the United States market for key exports by removing barriers to trade such as tariffs and quotas.²³⁴ These programs seek to spur economic growth and expand and diversify the economies of developing nations. Trade preferences systems range in size and scope from comprehensive regional programs to larger more general systems. The Generalized System of Preferences (GSP), first established in 1974, is the largest United States trade preference program serving 122 beneficiary developing countries (BDC)s. GSPs are not limited to the United States but are also used by other industrialized nations in their foreign development policies. As of the time of writing, the United States GSP is currently inactive; the program was extended through July 2013 and has not since been renewed by Congress. Examples of regional programs include the Caribbean Basin Initiative (CBI), the Andean Trade Promotion Act (ATPA), and the African Growth and Opportunity Act (AGOA). This paper will focus on the functions, critiques and reforms of the AGOA program, as it is the most comprehensive trade preference program.

AGOA, initiated in 2001, is a regional program designed to encourage export-led economic growth in 41 countries in Sub-Saharan Africa (SSA). The program is essentially an expansion on the GSP providing duty-free access to the US market for more products including textiles and apparel. The inclusion of textile and apparel is an important provision for two reasons: (1) apparel production has played a significant role in economic development of certain nations and (2) the tariff rates on textiles and apparel are generally higher than other US tariff rates.²³⁵ In addition to duty-free access for key exports, the AGOA program includes U.S. development assistance dedicated to Trade Capacity Building (TCB) as well as the AGOA forum, a platform where African government officials can discuss trade and economic issues. TCB is the allocation of aid funds to address trade-infrastructure problems that hinder firms from getting their goods to market. AGOA also includes special provisions regarding Rules of Origin (ROOs) for least developed countries (LDC)s. ROOs determine the country origin of a given product. LDCs benefit from the third-country fabric provision that permits apparel or textile producers to use fabric from any origin.²³⁶ This provision allows LDCs to produce textile and apparel products at a cheaper cost than other developing nations. The third-country fabric provision is intended to give an extra advantage to textile and apparel producers in LDCs in an effort to accelerate the economic development process.

Since its inception, the developmental impacts of AGOA have been generally positive; textile and apparel industries have experienced the most growth under AGOA. A peer reviewed economic study found a 34% causal increase in exports of key AGOA product categories (apparel, agriculture, manufactures).²³⁷ The same study concluded that the

increase in exports from AGOA beneficiaries was indeed from the benefits of the program and not from the diversion of exports from other export destinations. Some countries have benefit from the program through apparel and textile manufacturing better than others; Lesotho, Kenya and Mauritius have made the most use of AGOA apparel benefits.²³⁸ The government of Lesotho, the largest apparel exporter to the US under AGOA, estimates an increase in employment in the manufacturing sector from 19,000 in 1999 to 45,700 in June 2011.²³⁹ It is through the increase in exportation of labor-intensive products where AGOA seeks to have to most impact in development.

Given that trade preference programs are not perfect, there are areas of concern for policy makers that may require attention in the future:

- Some AGOA countries have seen a stall in their development process; there is concern that without continued development, they may become dependent on AGOA preferences.
- In some countries, apparel production under AGOA remains low value added low-skilled labor and has not led to the higher skilled production as hoped.²⁴⁰ These problems will require continued monitoring to insure that the program best serves the developing nations' needs. It is too early to tell whether these problems will persist or if they are just "growing pains" for infant industries in the program. Despite these concerns, AGOA remains an effective trade promotion and developing program.

Critics point out that 77% of duty free imports under AGOA are energy-related products such as oil.²⁴¹ They argue that AGOA should be more expansive in its coverage by including import-sensitive agriculture products such as sugar and peanut; AGOA's European counterpart, Everything But Arms (EBA), has phased out its restrictions on agriculture products (CDG). Proponents of expansive coverage argue that while some agricultural products are covered under AGOA, the inclusion of more products could result in a larger participation in the program²⁴² For example, including sensitive agricultural products would allow Malawi, Mozambique, and Zambia to gain access and export their sugar, peanut, and tobacco products under the program.²⁴³ While a shift in policy to include more agricultural products would be beneficial to developing nations, it is considered a politically sensitive issue. A concern among those in the private sector interested in doing business in countries benefiting from AGOA point out that the unilateral nature of AGOA may put them at a disadvantage.²⁴⁴ They argue that Free Trade Agreements (FTA)s and Bilateral Trade Agreements (BTA)s between AGOA countries and other developed nations give the private sector in those countries an advantage over their American counterparts resulting in a

potential decreased trade and investment in AGOA countries from the American private sector.

AGOA should replace the GSP in size and scope to provide comprehensive trade preferences to all developing nations. Expanding AGOA to operate on a global scale would include some minimal inherent drawbacks. On the one hand, making trade preference programs more comprehensive would diminish the competitiveness of countries that already participate in the programs. On the other hand, the end result would be more economic development for a greater number of people. Asian LDCs such as Afghanistan, Bangladesh, Cambodia, Nepal and Yemen currently have no access to trade preference programs.²⁴⁵ LDCs located outside of Sub-Saharan Africa (SSA) would have the most to gain from the expansion of AGOA.

Overseas Private Investment Corporation (OPIC)

Policy proposals

- **Extend OPIC's authorization to a five-year cycle to avoid the loss of potential deals due to lapses in congressional renewals**
- **OPIC should have increased authority to take equity in the investment projects it supports. Increased authority in equity share would allow OPIC to influence a particular investment's strategic goals as well as the economic, social, and governance policies²⁴⁶**
- **OPIC should fund technical assistance to address barriers to investments as well as commercial sustainability in addition to its lending services²⁴⁷. OPIC would operate more efficiently and effectively if it administered its own technical assistance**

OPIC identifies itself as the United States government's development finance institution. More precisely, OPIC is an independent United States government agency that provides political risk insurance, financing through direct and indirect loans, support for private equity investment funds, and other services to promote United States direct investment in developing countries.²⁴⁸ OPIC is designed to mitigate risk and encourage foreign direct investment (FDI) with the objective of creating sustainable economic growth. OPIC performs its functions through three main programs: insurance, investment and investment funds. OPIC's authority to guarantee approved US private international investment is underwritten by its own financial resources as well as the US government.²⁴⁹ As the number of players increases in the development finance world, OPIC levels the playing field for

US investors by counteracting official-backed investment from competitors supported by foreign governments.²⁵⁰

Despite its positive screening and monitoring techniques, OPIC is hampered by a series of structural challenges. First, OPIC's authority is authorized annually by Congress. The short-term reauthorization cycle undermines investors' confidence in OPIC's effectiveness as investors and projects require long-term planning.²⁵¹ Second, OPIC does not have the authority to retain its profits nor use them for strategic purposes such as investment in direct equity investments. Returns from equity investments could be used for additional development investment projects. OPIC is the only organization that does not have this authority among its multilateral counterparts such as the International Finance Corporation (IFC). Lastly, OPIC is unable to offer its own technical assistance for its investment projects. The current framework requires OPIC to partner with aid agencies such as USAID or the United States Trade and Development Agency (USTDA).²⁵² This requirement impedes the allocation of technical assistance spending and ultimately slows down the completion of OPIC sponsored projects.

The World Trade Organization

Policy Proposals

- **Include developing nations in the agenda setting process to ensure development trade issues are addressed in negotiations.**
- **Increase legal and technical assistance to developing nations in order to give them the skills and tools to participate.**

Multilateral trade and investment organizations are an integral part of spurring economic growth and ensuring its sustainability in developing nations. In this report we set out to reform American global development policy. Given that the United States is the co-founder of, and largest contributor to the World Trade Organization (WTO) and multilateral development institutions such as the World Bank and the International Monetary Fund (IMF), this report will include by extension targeted policy reforms for these organizations.

The World Trade Organization (WTO) is arguably the most important institution for multilateral trade negotiations. Despite the well-intended design of the WTO, in practice, larger nations tend to have priority while smaller developing nations are marginalized; bigger nations have larger trade volume and more negotiating power. The latest WTO round, the Doha round, was the first to put development issues on the negotiating table.

The Doha round, coined the development round, has failed to come to a conclusion after multiple extensions. What makes the Doha round unique is the set of development specific issues on the agenda. The three development specific issues include mandatory licensing for medicines and patent protection, review of provisions giving special and different treatment to developing nations, and addressing problems posed to developing nations in implementation of current trade obligations.²⁵³ While some progress has been made on these issues, particularly in regards to patent protection and medicine licensing, progress on important trade issues has been limited. The Doha round includes sensitive issues, such as agriculture and Non-Agricultural Market Access (NAMA) that concern both rich countries and poor countries alike. Agriculture is the most distorted global trade sector and therefore one of the most politically sensitive issues. Poor nation members as well as rich nation agricultural producers alike have demanded the United States, Japan, and Europe to reduce protectionist trade barriers such as subsidies for domestic producers and tariffs on agricultural imports.²⁵⁴ This point is particularly important for developing nations; tariffs, subsidies, and loopholes for domestic producers contribute to the artificially low world market prices for agricultural products. The low prices of agricultural goods coming from countries such as the United States push out agriculture producers in developing nations from the world market. The refusal to budge on this issue has stalled negotiations for years leading some to pronounce the Doha round dead.

In addition to the limited progress on trade issues in the latest WTO round, structural problems persist that limit market access to developing nations. The most serious issues include agenda setting, capacity constraints and complexity of legal procedures for member nations.²⁵⁵ Developing nations historically have had little say on what issues are put on WTO agendas. The latest Doha round reflects the recent emphasis on trade issues associated with development however the minimal progress on such issues does not instill confidence that real change will occur given the current framework. While special stipulations in the WTO exist to permit developing nations additional time to adopt painful policies such as tariff and subsidy reduction, implementation of key WTO provisions are costly for developing nations.²⁵⁶ In addition, the WTO's highly legalistic approach puts developing countries with limited cash flow and legal expertise at a disadvantage during negotiations. This point is particularly important as concessions agreed upon in general negotiations could be lost in later stages when trade lawyers representing each country settle the details of the agreement.²⁵⁷ In an effort to offset the costs of WTO membership and procedures, some developing nations have formed regional coalitions in an effort to save costs and increase their bargaining power. While this is a useful tactic in certain instances, it is ineffective on issues requiring a common position. Assistance in the form

of financial and legal assistance is available to eligible members though critics argue that these measures are a good start but inadequate.

These structural problems can be addressed in the following ways:

- Agenda setting. For each round, include a predetermined number of development-related trade issues to include on the agenda. The development-related trade issues would assume the highest priority and therefore would be the first items on the negotiation agenda. Only after those issues are addressed would other issues become open for negotiation.
- Technical and legal assistance expansion. Expanded technical and legal assistance to eligible developing nations would not only increase member participation but could ultimately lead to more market access for developing nations.

IFC and MIGA: Promoting Private Investment in Developing Nations

Policy proposals

- **Adopt a strategic framework that addresses the needs of the private sector and governments within a fragile state, as well as reviews past successful projects.**
- **Reassess managerial resources for operations in fragile conflict states.**

The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) are the two Developmental Finance Institutions (DFI)s within the World Bank Group (WBG) that focus on the promotion of private investment in developing nations. While their specific functions differ, the strategic goal is the same for the two agencies: encourage private investment in developing nations in an effort to spur economic growth and provide people the opportunity to escape poverty and improve their lives. The IFC's primary function is to extend loans and equity investments to the private sector in developing nations. The IFC seeks to assist companies in emerging markets create jobs, generate tax revenues, and improve corporate governance and environmental performance.²⁵⁸ The IFC performs these functions through offering investment, advisory and asset management services. MIGA compliments the IFC by mitigating risk for foreign private investors by offering political risk insurance and credit guarantees similar to the role of OPIC.

Fragile conflict states pose the greatest challenge to the IFC and MIGA in achieving their objectives. Fragile conflict states are also a primary focus Official Development Aid

(ODA) from multiple donors including USAID, however ODA has made minimal impact in conflict states.²⁵⁹ The private sector accounts for 90% of jobs in developing countries and has been the catalyst for economic growth and poverty reduction in Brazil, China and India.²⁶⁰ Despite the fragile nature of conflict states, the private sector continues to operate. The poorest, most fragile nations are often plagued with corruption, minimal infrastructure, and harsh business environments. While the WBG has made fragility, conflict and violence a core part of its mandate,²⁶¹ the group must reevaluate the alignment of its operations with the needs of the private sector and governments within developing nations. According to a study performed by the Center for Global Development, there are three private sector factors within fragile states that must be addressed: binding constraints to private sector growth, government priorities including regulatory frameworks and transport infrastructure, and project outcome performance based on the most successful past projects. The report's findings suggest that there is a misalignment between the priorities of the DFIs (IFC and MIGA) and the needs of the private sector and governments in fragile developing nations. For example, the IFC may support a financial sector project when access to electricity is the highest priority for the private sector in a given fragile state. IFC and MIGA's projects have been concentrated in low risk sectors such as natural resources extraction, and in recent years, the financial and telecommunications sectors²⁶². While these sectors are profitable for IFC and MIGA's clients, the needs of the private sector and governments within the fragile state are not addressed. Furthermore, IFC and MIGA's project portfolio suggests that they support projects on a case-by-case basis rather than a comprehensive strategy for fragile states.²⁶³ In addition to the adoption of a strategic framework, IFC and MIGA should revise human resource strategies to attract staff willing to take on risky investment and improve existing incentive structures to encourage risk-taking and innovation.²⁶⁴

The World Bank and IMF Lending Reform

Policy proposals

- **Increase domestic participation by encouraging not only non-state actor participation from civil organizations and the private sector, but also participation by political official affected by targeted policies.**

Conditionality has evolved since its first appearance on the development scene in the 80s. In the early days, financial assistance and structural adjustment loans were dispersed in exchange for the recipient country's promise to implement reforms prescribed by the IMF and World Bank, a practice known as *Ex Post*.²⁶⁵ The IMF, World Bank, and other donors soon realized that very little policy changes were implemented thus leading to a shift in

policy known as *Ex-Ante* conditionality wherein countries receive more aid *after* policy changes are implemented. Even with the shift in policy, the problem of accountability persisted. The leaders of developing countries were resistant to policy reforms that changed the status quo that they profited from. Policy reforms such as government spending reduction implied a certain amount of job loss creating an atmosphere of resentment towards the IMF or World Bank among the citizens of the developing country. Because these reforms were of a proscriptive nature, there was no ownership in the developing country's leadership making it easy to shift the blame to the multilateral institutions imposing the reforms. Reforms that were implemented during this time were often quickly reversed.

The World Bank and IMF have made progress in terms of encouraging development through financial assistance. The new form of conditionality is based on what the World Bank calls, good practice principles: Ownership, Harmonization, Customization, Criticality, and Transparency and Predictability.²⁶⁶ Ownership is a key principle that establishes the responsibility of the developing country's leadership in the implementation of potentially painful policy changes. Conditionality based on ownership is intended to inhibit the transfer of responsibility of difficult policy changes back to the multinational development organization. Development lending practices of the 80s and 90s resulted in debt saddled developing nations such as Jamaica, and marginal sustained policy changes. During this era of lending, the worst off developing-nation borrowers received debt forgiveness through the Paris club and the Heavily Indebted Poor Countries (HIPC) initiative. The new basis for conditionality is designed to improve lending practices and avoid overloading developing countries with debt they are unable to pay back.

While lending practices have advanced over the past few decades, there is still room for improvement. The World Bank and IMF have made an effort to encourage participation by non-state civil actors in negotiations. While this is a step in the right direction, critics argue that it is not enough. Furthermore, they argue that lower state officials directly concerned with a given policy proposal also be included in negotiations.²⁶⁷ In addition, they note that there is a lack of local input into analytical work into program effectiveness.²⁶⁸ Increasing participation to a larger more diverse group of actors implicated by policy changes would increase a sense of ownership of proposed policy changes.

Conclusion

Trade and investment are vital to economic growth in developing countries; it is through trade and investment that developing nations become self-sufficient. Even in developing nations with limited government services, the private sector continues to operate. Effective economic development

policy will encourage private sector growth and exportation in developing nations. Private sector growth creates jobs, increases the governments' tax base, and contributes to macroeconomic stability. The United States should reassess its global development policy to improve its unilateral developmental trade and investment programs as well as the operations of the multilateral trade and development organizations it has cofounded. Policy makers have their work cut out for them; developing nations are often mired with corruption, and harbor sentiments of resentment towards the West for previous development policy failures. Drawing on lessons learned through previous development successes and failures, policy makers can make unilateral changes that can aid developing nations build up their private sector, increase regional trade, increase exportation, and gain market access.

CONCLUSION

Foreign aid distribution is a worthwhile pursuit. Given the unprecedented amount of wealth enjoyed by the United States and the persistence of abject poverty in many parts of the world, the distribution of foreign aid is a moral cause we believe is well worth endorsing. Furthermore, foreign aid provides valuable benefits to the United States. Distributing foreign aid to developing economies can open new markets for American companies while the reduction of poverty can return jobs to the United States. Foreign aid given to consolidate democracy and secure states helps to promote peace and reduce threats of extremism against American security. Distributing aid to bolster healthcare systems protects the health of American citizens against pandemics and other diseases. Investing in the development of other nations through foreign aid also consolidates valuable political capital.

Yet, despite the clear benefits of foreign aid distribution, foreign aid and development initiatives are inadequately prioritized within the government. Development, diplomacy, and defense are key components of American foreign policy, and yet only diplomacy and defense are represented with cabinet-level positions. As a result, American foreign aid today is convoluted, disorganized, and fractured, and it has derailed from the clarity of initial foreign aid projects such as the Marshall Plan and the Foreign Assistance Act of 1961. With over fifty government agencies distributing aid and millions of dollars going unaccounted for every year, the existing American foreign aid system lacks coordination between agencies, a clear goal, and is riddled with bureaucratic complexities which prevent foreign aid from reaching its full potential. Simply put, the American foreign aid system can be better.

We propose the elevation of development to a cabinet-level position – the Department of Aid and Development (DoAD). The DoAD will have a secretary appointed by the President, and will oversee *all* American development aid programs and control a centralized and consolidated budget. The DoAD will have a clear goal of fostering sustainability in developing countries – a goal that helps impoverished populations while simultaneously securing United States economic, security, health, and political interests. With an office to oversee transparency, the DoAD will ensure that American foreign aid is understandable and accountable to the American people while simultaneously working to limit corruption in aid-recipient countries. In addition, efforts to create cross-sector conferences and to place coordination officers in recipient countries will increase the efficacy of the worldwide development project. Lastly, the United States is uniquely positioned to push for reform at a multilateral level and can help assure the elevation of developing nations on an economic level.

American foreign aid distribution is a noble pursuit for both its moral underpinning and the ambitious task of improving lives around the world. With careful reforms, the United States foreign aid program can get on back track to being an efficient endeavor for all parties involved.

POLICY PROPOSAL SUMMARY

The structure of the Department of Aid and Development:

- Create the cabinet-level Department of Aid and Development
- Create five thematic branches of the Department of Aid and Development focusing on education, economic development, stability and reconstruction, environment and agriculture, and health
- Create the Office of Funding and Allocation within the Department of Aid and Development
- Create an Office of Transparency, Innovation, and Efficiency

The budget and goals of the Department of Aid and Development:

- Foster the economic sustainability and self-sufficiency of aid-recipient nations while focusing on the key development areas of education, economic development, stability and reconstruction, environment and agriculture, and health
- Maintain the existing Foreign Aid distribution budget, but in a more efficient manner

Enhancing sector-wide aid distribution coordination:

- Establish annual sector-wide conferences for each thematic DoAD sector to bring together major actors and stakeholders in a collaborative forum
- Commit to research sharing, following the example set by the International AIDS Conference
- Create a pooled funding model, the effectiveness of which has been demonstrated by the Global Partnership for Education
- Emulate the coordination model set by Global Washington to encourage active communication and collaboration between NGOs, private corporations, academic institutions, and foundations
- Encourage investment in public-private partnerships through examples set by Global Washington, DfID, and USAID
- Have each undersecretary within the DoAD, while collaborating closely with the Secretary of Development, determine the logistics of the conferences according to each respective target area
- Maintain the position of USAID Senior Development Counselors presently working under the Office of Development Partners in the DoAD
- Appoint Senior Development Counselors to key emerging nations
- Appoint a Donor Coordination Officer to work overseas within every country the DoAD contributes development assistance

Improving foreign aid transparency and evaluation mechanisms:

- Create a Deputy Secretary of Efficacy in charge of the Office of Transparency, Innovation, and Efficiency
- Institutionalize a commitment to foreign aid transparency by improving upon existing aid mechanisms and working in conjunction with evaluation measures proposed by the international community
- Prioritize the accessibility of foreign aid distribution to the public through the publishing of comprehensive, high-quality data
- Incentivize innovation in best development and foreign aid distribution practices
- Combat and limit corruption in aid-recipient countries by closely tracking the distribution of foreign aid funds

Reforming trade, tariff, and investment infrastructure:

- Expand AGOA beyond Sub-Saharan Africa to include all developing countries.
- Simplify Rules of Origin (ROOs) on apparel and manufactured goods to incorporate more textile and manufactured products under AGOA
- Expand AGOA coverage to include more agricultural products to increase participation in the program
- Enhance regional trade by encouraging AGOA member countries to reduce tariff and non-tariff barriers on imports from other AGOA countries and incentivizing AGOA exporters to source from regional AGOA countries
- Incorporate a graduation process into AGOA that allows more economically advanced countries to exit from the program once they arrive at a determined level of development
- Extend OPIC's authorization to a five-year cycle to avoid the loss of potential deals due to lapses in congressional renewals
- OPIC should have increased authority to take equity in the investment projects it supports. Increased authority in equity share would allow OPIC to influence a particular investment's strategic goals as well as the economic, social, and governance policies
- OPIC should fund technical assistance to address barriers to investments as well as commercial sustainability in addition to its lending services. OPIC would operate more efficiently and effectively if it administered its own technical assistance
- Include developing nations in the agenda setting process to ensure development trade issues are addressed in negotiations
- Increase legal and technical assistance to developing nations in order to give them the skills and tools to participate
- Adopt a strategic framework that addresses the needs of the private sector and

- governments within a fragile state, as well as reviews past successful projects
- Reassess managerial resources for operations in fragile conflict states
- Increase domestic participation by encouraging not only non-state actor participation from civil organizations and the private sector, but also participation by political official affected by targeted policies

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