

## The Emerging Strategic/Operational Framework for USAID Programs (Talking Points for Jon Breslar – USAID’s Economic Growth Officers Conference)

### A. Introduction:

- The challenge posed by Steve Hadley is to explain how various authoritative documents and key developments – the FANI report, the National Security Strategy, the MCA, the White Paper, and the State/USAID Strategic Plan – fit together into a coherent framework for USAID programming.
- Now I’ve overseen programs in the field, and I know that the REAL problem is knowing which piece of Washington-generated paper to cite in justifying your program – what references are going to help you get through a Washington review, and which ones are not.
- Nonetheless, I’ll take Steve’s challenge at face value because I think the items I named do in fact add up to a coherent framework, at least the beginnings of one.
- One of the keys in understanding how they fit together is to appreciate that they didn’t each happen at the same time, but rather in a sequence. And, they didn’t happen in a vacuum but rather during a time of historic change and adjustment.
- So let me take them somewhat chronologically, and hopefully show that they add up to a reasonably coherent and somewhat different framework than in the past.

### B. Some Ancient History (Optional) (See Summary Bullets at the end of this section)

- To better appreciate where we are and where we’re headed, let’s start by briefly recalling aid during the cold war. (One reason to do this is because there are some strong similarities between then and now, as well as some key differences).
- During the cold war there was *a strong national security argument for foreign aid and development*:
  - There were *two competing visions* of how countries and societies should organize their affairs; two competing visions of institutions and governance – Communism and Democratic Capitalism
  - The U.S. had *a major stake in countries aligning with our vision*, and not with the competing vision.
  - That meant (first) a special focus on key countries to help ensure they “didn’t go Communist”
  - And, it meant (secondly) a more general focus on promoting development progress, to show that our side and our approach could promote economic and social progress better than Communism.
  - So, we provided aid to some “*strategic states*” in various regions, depending on immediate threats of Communism (ESF); we provided “*development aid*” to other countries; and as always we provided *humanitarian aid* where needed.
  - National security concerns provided strong support for aid that was essentially focused on countries and country development strategies.

- For *development* aid there were some very broadly defined “sectors” or accounts.
  - And, there was the shining example of the Development Fund for Africa, which featured an emphasis on selectivity; country-based and owned programs focusing on policies and institutions; and development results well before these became fashionable in the MCA.
  - At the same time, there were few “*fragile states*” around because Cold War politics guaranteed that no state would be allowed to fall apart.
  - And, concerns that we now identify as *global issues* were only beginning to emerge.
- During the 1990’s this picture changed fundamentally:
    - *The Cold War ended*. We no longer feared that countries would go Communist. The national security arguments for development progress – in strategic states and more generally – disappeared.
    - There remained a clear interest in making sure that formerly Communism countries made a successful transition. This was initially seen by many as a short to medium term challenge. Aid funding for this was pretty readily available.
    - There was also funding for a diminishing number of “strategic states” such as Egypt, Israel, and Jordan.
    - However, beyond this “post Cold War mopping up”, (and “middle East peace”) there was *no compelling national security argument for promoting developing progress at the country level* – at least no argument that commanded political support. [Note: We in the development community remained aware of the importance of development at the country level – but this was a hard sell politically]. The Development Fund for Africa disappeared, along with its focus on development at the country level.
    - There was also a significant trend towards *increased fragility*, complex emergencies, and state failure. The competition between Communism and Capitalism -- that ensured states would not be allowed to fall apart -- was gone.
    - Meanwhile, *globalization was accelerating*, and with it interdependence between developed and developing countries. This generated a widening array of specific issues and concerns -- an expanding and diverse set of U.S. interests in developing countries.
    - In the absence of a compelling national security rationale for aid that focused countries, political support for foreign aid waned. USAID and others sought to develop a new and different rationale for foreign aid.
    - This led to an approach to development and foreign aid that focused not so much on countries as on *specific problems and concerns, including global issues*.
      - A prime example was the Rio conference, which lumped concern about *environmental global issues* with traditional development under the rubric of sustainable development.

- There was an associated focus on “*global population*” and *global health* issues.
- More generally, USAID’s strategies during the Clinton Administration focused on “sectors” around which political support could be rallied – education, health, population, agriculture, democracy, environment, and humanitarian aid. Often these were described as “global issues” rather than dimensions of development at the country level.
- There remained an “economic growth” sector, but in the absence of organized constituencies and political support, resources for EG declined precipitously. Similarly, there was more support for democracy than for the broader concern of governance.

So to **summarize**: during the 1990s’ – [Maybe this is all you want to say – the stuff above can be background].

- The national security arguments for development *at the country level* diminished sharply. (With “the end of history” there were no longer two competing visions of how societies should be organized).
- With *globalization* the agenda for foreign aid was instead shaped by a growing array of special concerns, reflecting mounting, increasingly diverse U.S. interests and concerns in developing countries.
- In an effort to shore up support for foreign aid, the focus shifted *away from countries* (exception – countries making the transition from communism, and a few other special cases related to mid-East peace) and *towards selected “sectors”; towards global issues; and towards other special concerns.*
- There were expanding requirements for *humanitarian aid*, and an increased incidence of “*complex emergencies*”
- USAID’s strategic/operational framework reflected these changes, as did shifts in our organizational structure; and in State’s. It’s fair to say there was an increased emphasis on “functional” issues and concerns, and correspondingly less on countries.

Three additional observations:

- The “fragmentation” of foreign aid (compared to the Cold War focus on Strategic States, Country Development, and Humanitarian Aid) led to substantial “policy incoherence” in foreign aid – a proliferation of multiple and conflicting goals that made it difficult to tell a clear story about foreign aid, and to manage foreign aid strategically. All of the reviews of foreign aid since the late 1980’s focus on this problem of policy incoherence.
- It also arguably generated organizational “fragmentation”, both within USAID (a proliferation of fiefdoms) and within the USG (increasing roles for other USG agencies in foreign aid.)
- How did other donors respond to these same events and developments? By invoking “Poverty Reduction” as a framework and unifying theme for foreign aid.

For a variety of reasons, that hasn't worked well – in particular, a concern with poverty and the MDGs continues to divert attention from development at the country level, even though development at the country level is the key to achieving poverty reduction and the MDGs.

So, this is broadly where we stood on September 10, 2001. Then came the terrorist attacks.

- They did not quite “change everything”. The existing foreign aid agenda and the problems and concerns it reflected did not go away.
  - First, globalization, fragile states, and other trends remain with us.
  - Second, the constituencies that had built up around the foreign aid agenda of the 1990's did not go away.
- Instead, September 11 *reinstated* an *additional* set of concerns. It returned us to a situation where basic national security concerns revolve around countries.

**C. Let's look at the various post 9/11 documents and initiatives, and see how they have evolved/are evolving into what we think is a coherent – though not simple -- framework for foreign aid.**

### **1. The National Security Strategy**

- The NSS came out about a year after the attacks, in September 2002
- It emphasized *development, along with defense and diplomacy*, as one of the cornerstones on national security. This was a huge shift from the 1990's, and arguably constituted a step up from the status of development among Cold War concerns.
- [During the Cold War, reports back from the Secretary's staff meeting would emphasize what used to constitute the “first” and “second” worlds – Europe, Japan, and the Communist countries; now they are about what used to be called “the third world” -- Iraq, Afghanistan, Sudan, Pakistan, Indonesia....)
  - i. Under the broad rubric of “development” the NSS highlighted the threats posed by fragile and failing states as breeding grounds for terrorism and other global ills.
  - ii. It also emphasized the positive – widespread development progress at the country level was both feasible and desirable from the standpoint of national and global security.
- The story here is in some respects *not so different from the cold war story* – again, there are *two competing visions* (democratic capitalism and radical Islam) of how societies should be organized. We have a vital interest in countries adopting our vision. Therefore, we have a strong interest in demonstrating that our vision delivers the most and best progress, even (or especially) in predominantly Muslim countries.

## 2. The Millennium Challenge Account

- In March 2002 -- before the National Security Strategy appeared but surely reflecting the emerging thinking about development and national security -- the President announced the Millennium Challenge Account.
- The concept was based partly on the findings of *Assessing Aid*, which appeared in the late 1990's. This study argued that aid was effective in promoting growth and development in countries making strong efforts in terms of policy reform and institutional strengthening. But aid was not effective in countries not making such efforts.
- So, the explicit *goal* of the MCA was development progress at the country level, and the basic idea was to provide aid at relatively high levels to *a select group of countries* with relatively good policy performance.
- This would demonstrate the importance of development progress at the country level to the U.S. along with a U.S. view about how development progress could best be achieved.
- *The emphasis was on countries.* Beyond the focus on *ruling justly, promoting economic freedom, and investing in people* (both in selecting countries and presumably in programming resources), there was no mention of key sectors.
- *[Again, we should give ourselves a pat on the back – USAID was allocating development resources based on commitment and need in the late 1970's; and the Development Fund for Africa of the 1980's embodied the key development principles of the MCA, including both selectivity and the focus on growth, governance, and investments in people.]*

## 3. Foreign Aid in the National Interest – Promoting Freedom, Security, and Opportunity

- This USAID study was completed around the end of 2002, after the MCA announcement and the National Security Strategy.
- It emphasized *five key challenges for foreign aid*, along with a sixth chapter on flows of official aid and other development resources.
- More specifically it looked at *governance and growth* [#1 and #2] – largely in a *development* context – as key drivers of development at the country level. The discussion of growth highlighted agriculture, trade, and the micro-economic agenda – the business climate.
- It also looked at *investments in people, especially health* [#3] as *both* a development issue and a self-standing global concern, particularly where HIV/AIDS and other infectious diseases are concerned.
- Finally, it examined problems of conflict and fragility [#4], and the closely associated subject of humanitarian aid [#5].
- The study did not purport to be a policy document, nor did it aim to represent a strategic framework for organizing USAID programs.
- Its contribution was to highlight and analyze some of the key challenges for foreign aid pertaining to development, fragile states, and global issues.

#### 4. The USAID/State Strategic Plan

- This effort took place over much of 2003. It involved a large number of State and Aid Offices, both “functional” and regional.
- The Plan is broadly organized according to the Defense/Development/Diplomacy troika of the National Security Strategy, with major chapters on strategic objectives to:
  - *Achieve Peace and Stability* (“Defense”)
  - *Advance Sustainable Development and Global Interests* (“Development”)
  - *Promote International Understanding and Strengthen Diplomatic and Program Capabilities*. (“Diplomacy”)
- Under “Sustainable Development”, the section most relevant to USAID, the four Strategic Goals include:
  - *Democracy and Human Rights* (including good governance)
  - *Economic Prosperity and Security* (including *trade, agriculture, and macro and micro policies and institutions that make up the business climate.*)
  - *Social and Environmental Issues* (including *health and education among social issues.*)
  - *Humanitarian Response.*
- This framework is very much like the USAID strategic framework of the 1990’s used for purposes of GPRA planning and reporting – it is essentially organized according to “sectors” or “dimensions” of development.
  - It has the virtue of depicting well the sorts of activities and concerns we program against.
  - It “tells our story” in terms that help command political support.
  - It reflects the realities of our organizational structure (both State and USAID) and how we have come to manage and budget.
  - **But, the emphasis on countries as the primary focal point for national security concerns – as well as the distinctions between development, fragility, and strategic states – tend to get lost.**

#### 5. The White Paper

- The White Paper aims to integrate and reconcile the focus on countries that flows from the *National Security Strategy*, with the focus on sectors, global issues, and special concerns that emerged during the 1990’s and is evident in the *USAID/State Plan*.
- [The WP was developed during 2003, about the same time as the Plan. The WP authors also worked on the Plan – so there was a certain amount of synergy and efforts at consistency between the two as they were being developed]
- The WP builds on the *Natsios Report* in focusing *both* on *challenges at the country level (development – emphasizing growth and governance -- and*

*fragility*) and also on *humanitarian aid* and *global issues* such as infectious diseases.

- And, it explicitly addresses the question, “What is USAID’s role in development given *the MCA*?” The WP points out that the MCA addresses only part of the development challenge, and it identifies a substantial development role for USAID in non-MCA countries.
- As you heard yesterday, the White Paper identifies five core operational goals for bilateral foreign aid:
  - Supporting *Transformational Development* (certainly in those relatively stable and committed low-income countries that are not part of the MCA; and possibly in MCA countries as well, depending on how things play out.)
  - Strengthening *Fragile States* (including failing, failed, and recovering states)
  - Supporting *Strategic States* (countries of especially high priority to the U.S., that receive exceptionally high levels of aid on foreign policy grounds)
  - Providing *Humanitarian Relief* (to meet immediate human needs in the context of conflict, crisis, natural disasters, and/or persistent dire poverty)
  - Addressing *Global and Transnational issues and other special, self-standing concerns* – the large array of specific concerns that have emerged with globalization [and the effort to shore up constituencies for foreign aid].
- What about sectors?
  - The WP (following the President [in his MCA speech] – always a good idea) singles out “ruling justly, promoting economic freedom, and investing in people” as core development concerns.
  - Beyond that, there are only a few references to sectors in some of the development discussion, and these references mainly have to do with the budget and the need for flexible resources.
  - The main message of the WP is that in the new national security setting [since 9/11] the primary goals of foreign aid have mainly to do with countries (transformational development, fragile states, strategic states).
  - Sectoral concerns – agriculture, business, health, education, population – are “secondary” and “subordinate” – they need to be pursued in the larger context of achieving development at the country level (or addressing fragility or supporting strategic states).

#### **D. [Towards] a coherent operational framework for foreign aid.**

- While the White Paper goes a long way towards integrating and reconciling the NSS, the MCA, the Natsios Report, and the State/USAID plan, it is not the last word – not the end of the story.

- In particular, we are committed to working under the State/USAID plan – with its essentially sectoral (or “Functional”) focus. The Plan still provides the framework that we are committed to use for performance planning and results reporting under GPRA.
- And, the State/USAID Plan remains quite a different-looking framework from the White Paper framework that emphasizes a primary, strategic focus on countries (along with humanitarian aid and special concerns including global issues).
- How are we to reconcile these two in a coherent way?
- We in USAID have become pretty used to dealing with competing frameworks. In these situations we’ve developed what by now might be termed a “time-honored approach” -- one that almost every bureaucrat in USAID that ever wrote or reviewed a program document becomes familiar with (Pause.....) – In these situations we....**Build a MATRIX.**
- The E&E bureau deserves credit for coming up with what we think is a pretty clear and convincing solution. (See Attachment)
- What they came up with is a matrix with the *White Paper core operational goals* down the left side, and three of the *Joint Plan Strategic Goals* (the aforementioned Democracy and Human Rights [including governance]; Economic Prosperity and Security; and Social and Environmental Issues) across the top. (They might have added Humanitarian Response).
- Note that these three Joint Plan Strategic Goals roughly correspond to “ruling justly, promoting economic growth, and investing in people”, the three development themes emphasized by the President in his MCA speech.
- So, taking the first core goal of the White Paper -- transformational development - - we can readily envision a country strategy and program with SO’s that fit squarely within the framework of the State/USAID plan.
- The same can be said for programs in fragile states, and programs in strategic states – we envision country strategies and programs with SO’s that readily map into the Strategic Plan goals.
- For humanitarian response, there is pretty much a one-to-one correspondence between the White Paper and the State/USAID Plan. Humanitarian programs can be carried out in fragile states, strategic states, and in countries where our main goal is transformational development.
- Finally, global and transnational issues and other special, self-standing concerns – this is a tricky category where we are still working through issues. But, it’s clear that programs and activities such as HIV/AIDS, counter-narcotics, biodiversity, climate-change, anti-trafficking, and so forth that might be included here also can be reported against the Goals in the State/USAID Plan.
- As part of the business model exercise we are working on strategic guidance that provides more detail to clarify this framework and provides guidance on how to apply it in practice.
- This includes (as you may have seen in draft) some 17 general program goals that essentially disaggregate the larger, functional goals in the State/USAID Plan.
- And, it includes guidance on country strategies for country programs in fragile states, strategic states, and transformational development countries.

E. **Concluding Comments:** None of this is simple or straightforward or easy for at least three major reasons:

- *First*, we live in a world that is
  - increasingly globalized and interdependent and
  - subject to serious, systemic terrorist threats.This guarantees a rich and complex agenda for foreign aid.
  
- *Second*, the good news is that development has been elevated to a central role in national security. The bad news is the inevitable result that State, the NSC, the Defense Department, Treasury and others are increasingly concerning themselves in a major way with development and developing countries. USAID cannot independently and autonomously set up our own, clear concise framework for foreign aid. [If one wants to get paranoid, it's clear that a lot of folks around town have an interest in a very blurred, unclear, fuzzy framework for foreign aid, within which all sorts of maneuvering is possible and justifiable.] **Mention of JPC and JMC??**
  
- *Third*, as an agency we went a long way down the road -- in terms of budgets, programs, and organizational structure -- towards a predominant strategic focus on sectors and on global issues and special concerns. Many of these concerns remain valid and important. It is not going to be easy -- or simple -- to move the pendulum back in the direction of a strategic focus on countries while still addressing the many valid functional and sectoral concerns that are an inevitable part of today's agenda for foreign aid.

### Strategy of the Bureau for Europe and Eurasia

E&E goal: To assist the transition of Eastern Europe and Eurasia to sustainable democracies and open market economies.			Example countries <sup>2</sup>	Selected Joint State/USAID Strategies	
				Economic Prosperity and Security	Democracy and Human Rights
White Paper Core Goals	Promote transformational development	Reformers <sup>1</sup>	Bulgaria Croatia Romania	Policy reform SME development Trade & investment promotion	Rule of law Civil society Political processes Independent media Local governance
		Non-reformers	Belarus Turkmenistan Uzbekistan	SME development	Civil society Independent media
	Strengthen fragile and failing states		Kosovo	Economic governance Post-conflict reconstruction	Democratic governance Ethnic and religious tolerance
	Provide humanitarian assistance		Various		Civil society Local governance
	Support strategic states		Armenia Cyprus Ireland	Policy-based program support Energy	Ethnic & religious tolerance Democracy in historically Islamic areas Conflict management
	Address transnational issues and special, self-standing concerns.		Various		Combat trafficking in persons

<sup>1</sup> What areas are appropriate for reform with USAID assistance varies with country circumstances. See the Sector Strategies for a more detailed categorization of reforming countries in the E&E region.

<sup>2</sup> These examples are placed with core goals of concern in specified countries in 2004. As country circumstances change, the core goals may change. More than one core goal may apply in a country.

<sup>3</sup> Includes technical assistance and partnerships with American health institutions.

<sup>4</sup> Includes child survival, maternal health, and control of infectious diseases, particularly HIV/AIDS.

<sup>5</sup> Includes curriculum development, teacher training, partnerships with American educational institutions and community participation.

<sup>6</sup> Includes food, shelter and heat.