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Washington's foreign aid programs have improved in many ways during the Bush presidency. Official development assistance has increased from $10 billion in 2000 to $22 billion in 2008, funding two dozen presidential initiatives, many of them innovative and groundbreaking. At the same time, however, the organizational structures and statutes governing these programs have become chaotic and incoherent thanks to 20 years of accumulated neglect by both Republicans and Democrats in the executive and legislative branches. The president has elevated development to a theoretically equal place with defense and diplomacy in what is considered the new paradigm of national power: "the three Ds." But this vision has not been realized because of organizational and programmatic chaos. The Defense Department's massive staff has assumed roles that should be performed by the State Department and the U.S. Agency for International Development (USAID), and the Pentagon's $600 billion budget has eclipsed those of the civilian agencies.

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The Pentagon recognizes this problem. In November 2007, Secretary of Defense Robert Gates called for a "dramatic increase in spending on the civilian instruments of national security." Gates pointed to the "asymmetric-warfare challenge" U.S. forces face in the field and insisted that "success will be less a matter of imposing one's will and more a function of shaping the behavior of friends, adversaries, and, most importantly, the people in between." In March 2008, retired Marine Corps General Anthony Zinni and Navy Admiral Leighton Smith, representing a group of more than 50 retired flag and general officers, testified before the Senate Foreign Relations Committee in support of a budget increase for the State Department and USAID. Zinni and Smith said, "We know that the 'enemies' in the world today are actually conditions—poverty, infectious disease, political turmoil and corruption, environmental and energy challenges."

The U.S. foreign assistance program has traditionally sought to support U.S. national security and promote economic growth, poverty reduction, and humanitarian relief abroad. Modern foreign aid efforts began with the Marshall Plan, which was justified as a national security measure, a humanitarian contribution, and an effort to build markets for U.S. exports. In the intervening years, the policy rationale for aid has not changed much, and it remains as compelling now as it was then.

Effective foreign aid programs, therefore, can and should be a crucial component of U.S. foreign policy. To ensure that taxpayer dollars are well spent on a single, coherent foreign aid bureaucracy under one chain of command, the next president will have to push through major institutional reforms. But as many recent studies have demonstrated, U.S. development efforts lack coherent policy guidance and are spread across myriad agencies with little coordination among them. Such a sad state of affairs did not always exist. We can testify to this from our own experience, having collectively run USAID for 16 years, under both Democratic and Republican administrations. We share the concern that our civilian capacities have eroded at a time when they are most needed. The United States cannot win the hearts and minds of the world's people with only an anemic USAID presence in the developing world. The situation will not improve without sensible presidential leadership to support an independent, vigorous, and restructured USAID or a new federal department devoted to development.

DOWNSIZING DEVELOPMENT

DURING THE Cold War, USAID's presence abroad was far more significant than it is today. Leaders realized that the agency's staff was one of the most powerful instruments of soft power the U.S. government had at its disposal. In many places, USAID is the most visible face of the U.S. government; its influence at the level of civil society is far greater than the State Department's or the Pentagon's, whose representatives tend to remain in capital cities. USAID officers have daily interactions with civil-society leaders, government officials, members of local legislative bodies, businesspeople, and ministries that deal with development issues.

For much of its existence, USAID had substantial resources and autonomy, but in recent decades these have largely been stripped away. For example, the State Department was given responsibility for U.S. foreign assistance programs in central and eastern Europe in 1989 and in the former Soviet Union in 1992, with USAID placed in a subordinate role. Eventually, in 2001, the State Department took over USAID's account and its direct relationship with the Office of Management and Budget. As a result, USAID lost staff, programmatic flexibility, and influence with Congress, other government departments, other aid donors, and recipient nations.

Policymakers began to look for other vehicles to implement their development initiatives. When the Millennium Challenge Corporation was set up in 2004, the secretary of state—rather than the USAID administrator—was named to chair it. At first, the MCC was discouraged from even working with USAID; when the President's Emergency Plan for AIDS Relief (PEPFAR) was set up in 2003, it was placed in the State Department, with USAID and the Department of Health and Human Services given only supporting roles.

Many new players in the foreign assistance arena—the Centers for Disease Control, the MCC, and now even the Defense Department, through its new Africa Command—have created independent organizational structures to carry out their programs. Not surprisingly, this has led to policy incoherence, a lack of integration across programs and issue areas, inefficient and overlapping bureaucracies, and endless conflicts over roles and responsibilities—not to mention confusion among recipients and among other donors about who represents Washington on development issues. These new development players are now even using the same contractors as USAID. All of this organizational chaos has significantly increased the costs of implementing foreign aid programs, delayed their implementation, and reduced their impact. There is no evidence that this broad array of new development agencies has done any better than the old, more unified USAID, and much evidence that this organizational structure has done worse.

Organizational chaos has significantly increased the costs of implementing foreign aid programs.

The most recent reorganization of Washington's development apparatus was announced in 2006. USAID was effectively folded into the State Department and given its allocations through a State Department–controlled budget process, and its administrator was asked to wear two bureaucratic hats: director of foreign assistance at the State Department and head of USAID. Many thought this was a mistake. The practical and policy problems that have resulted have only confirmed their views. Dozens of studies on foreign aid show that aid programs rarely succeed when they are not customized to the poor countries they are designed to help and built on local ownership. The centralization of the U.S. government's aid programs in Washington may satisfy the needs of key players in both the executive and the legislative branches for command and control, but it increases the risk of program failure and invites attacks from critics, who insist foreign aid is ineffective.

USAID has also suffered over the years from crippling staff cuts. In 1980, the agency had 4,058 permanent American employees. By 2008, the number had dropped to 2,200. Resources for staff training were also slashed dramatically. These cuts have had several detrimental effects. Most important, they forced the closing of 26 overseas missions in the 1990s. USAID's field presence used to be a real source of strength for the United States. Other countries often looked to the agency for leadership and donor coordination on the ground, and USAID's decentralized structure made its programs more responsive to local conditions and needs and allowed the agency to move faster than its foreign counterparts. Downsizing also resulted in a dramatic loss of technical expertise. For example, the agency now has only six engineers and 16 agriculture experts, far fewer than in the 1980s.

The reduced staff and loss of expertise has limited the agency's technical competency and its managerial control over projects, making USAID increasingly dependent on larger and larger grants and contracts to spend its budget. This has transformed USAID from a creative, proactive, and technically skilled organization focused on implementation to a contracting and grant-making agency. This, in turn, has translated into less policy coherence, reduced flexibility, diminished leverage with other donors, and an increasingly risk-averse bureaucracy.

On a policy level, meanwhile, large presidential initiatives and congressional earmarks for health care, HIV/AIDS, K–12 education, microfinance, and the environment have in recent years crowded out other development interventions, such as anticorruption measures, agricultural assistance, democracy-promotion programs, and infrastructure-enhancement measures. The narrower, more focused programs are politically appealing because they appear to have a direct, measurable impact on identifiable individuals. But such a concentration on the short-term delivery of goods and services comes at the expense of building sustainable institutions that promote long-term development. For example, resources devoted to postconflict transitions now exceed development investments in peaceful nations. And the transfer of goods and services, such as in PEPFAR, has not always included the long-term human and institutional infrastructure so important to sustaining an effort. (Thankfully, the congressional reauthorization of PEPFAR recently signed by President George W. Bush requires the training of more than 100,000 local health-care workers in developing countries.)

Washington cannot win the hearts and minds of the world's people with only an anemic USAID presence in the developing world.

The impact of this approach to development can best be understood at the country level. Ethiopia, one of the poorest countries in the world, has a largely agricultural economy and suffers from periodic famines. Yet in 2007, about 50 percent of U.S. assistance to Ethiopia went to HIV/AIDS prevention, 38 percent to emergency food relief, and 7 percent to child survival, family planning, and malaria prevention and treatment. Only 1.5 percent went to agriculture, 1.5 percent to economic growth, 1.5 percent to education, and 1 percent to improving governance. Such distorted profiles of development aid are unfortunately quite common. Strategic needs on the ground should dictate the nature of the programs, but currently, allocation decisions are determined by earmarks, presidential initiatives, or diplomatic pressures.

RECONSTRUCTING AID

THE PROBLEMS with current U.S. development efforts cannot be fixed without major organizational reforms. The time has come to recognize that the semimerger of USAID and the State Department has not worked. The missions and personnel requirements of the two organizations are different. The State Department often has to deal with pressing issues and naturally views development dollars as only one of the possible tools at hand. State Department officers are superb diplomats, negotiators, political observers, and policy analysts. USAID, in contrast, is an operational and program-management agency focused on achieving sustainable economic growth abroad; its staffers are aid professionals with the technical and managerial skills to get their work done. With USAID and the State Department merged, the urgency of the State Department's mission and the collective mindset of its personnel end up dominating, to the detriment of the development agenda. The problem lies not in individuals but in clashing organizational cultures, management systems, and time horizons.

There are two proposed approaches to fixing the problem: integrating USAID even more completely into the State Department and granting it significantly more independence, either as its own cabinet-level department or as a strong autonomous agency whose head reports directly to the secretary of state. The first option would make things even worse than they are now. In a full merger with the State Department, USAID would lose its development mission altogether, as that mission would continually lose out to the State Department's more traditional diplomatic priorities. The right approach is to find some way of restoring USAID's autonomy and vitality. The real question is whether USAID should be an independent agency reporting to the secretary of state or a new cabinet department. Both routes have advantages and disadvantages, but either would be preferable to the current setup.

A cabinet-level department would give USAID much greater stature and allow it to influence policy on trade, investment, and the environment while improving existing assistance programs. This approach is the predominant model used in wealthy donor countries. The United Kingdom moved in this direction in the mid-1990s. The United Kingdom's Department for International Development has used its perch to achieve greater influence on development matters throughout the British government by helping to shape trade, finance, and environmental policy at the cabinet level. As a result, the Department for International Development has become the most prominent government aid agency in the world, even though London spends far less on aid than Washington does.

The chief argument against a cabinet-level development department in the United States is that the secretary of state needs to have some policy involvement and oversight when it comes to foreign aid. Moreover, the secretary of state is always going to be a more powerful member of the cabinet than a development czar. USAID often relies on the active support of the secretary of state in order to get the funding and legislation it needs to carry out its mission. For these reasons, many observers believe that a strong agency reporting to the secretary of state would be preferable.

Regardless of which option the next administration chooses, there are several policies that must be implemented in order to strengthen the United States' development capabilities. First, the new USAID must have budgetary independence, and its operating account—which pays for buildings, salaries, and technology—should be dramatically increased in order to boost the size of the permanent staff, invest in training, and increase the agency's technical expertise. This will enable the new USAID to reopen missions that were permanently closed and to staff them adequately.

Second, the head of the new USAID should be a statutory member of the National Security Council and serve as part of the president's international economic advisory team on the National Economic Council. There are compelling security and macroeconomic arguments for foreign aid. As Paul Collier's acclaimed book *The Bottom Billion* demonstrates, countries with high poverty rates descend into civil war far more often than more prosperous nations. These conflicts kill thousands and destroy the political and economic institutions of the states in which they occur, leaving the international community to pick up the enormous tab for rescue, relief, and reconstruction. Likewise, development success is closely related to investment, trade, and finance policies; U.S. policy and developing-country policies on these matters are as important as the volume of foreign assistance. U.S. agricultural subsidies, trade protectionism, and subsidies for ethanol all hurt poor countries by distorting food markets. Yet within the U.S. government, decisions concerning international trade and finance are all too often made without any regard for reducing poverty or stimulating economic growth in poor countries. Making the new USAID an integral part of the interagency process would allow it to influence policymaking and take direction from the State Department, the Pentagon, and other agencies on matters involving foreign policy and national security. It would be a two-way street.

Third, the new USAID will need a new congressional mandate. The Foreign Assistance Act of 1961—which has not been amended in any meaningful way since 1985—is a Cold War artifact that has become obsolete. The eligibility criteria for the MCC could serve as the basis for new legislation. The MCC uses 17 indicators in three broad development categories—"ruling justly, economic freedom, and investing in people"—to determine a nation's eligibility to receive development aid. A new congressional mandate would make the executive branch accountable for results and provide a new framework for legislators who wish to earmark funds for specific purposes.

CIVILIAN CASUALTIES

As the division of labor among the Pentagon, the State Department, and USAID has become blurred, military bureaucracies have eclipsed their civilian counterparts, thanks largely to their vastly greater resources and greater organizational capacity. Few in Washington, including Secretary Gates, like this situation or think it serves U.S. interests. But nothing will change unless the next president works with Congress to oversee significant institutional reform. Revitalizing the U.S. approach to development assistance should be viewed as a crucial part of the broader effort to revitalize the government's civilian institutional capacities.

To streamline and strengthen the State Department bureaucracy and restore USAID's authority over aid programs, all humanitarian and development programs now assigned to the State Department—such as refugee programs, PEPFAR, and the programs implemented by the new bureau for postconflict reconstruction—should be placed under the aegis of the new USAID. Likewise, democracy-promotion programs and the Defense Department's aid programs around the world should largely return to civilian control, with the relevant authority and resources assigned to the new USAID. Many cabinet departments understandably have policy interests abroad, but those interests should not include managing their own, independent foreign aid programs. From the early 1960s to 1992, the Office of Management and Budget aggressively enforced a rule mandating that all foreign aid programs and spending must go through USAID (except when USAID chose to contract with other federal agencies in cases for which it lacked specific technical expertise). It is time to return to that model.

Furthermore, the head of the new USAID must have the authority to devise an overall U.S. government strategy on humanitarian and development programs and to coordinate the activities of other departments at the global, country, and regional levels. In addition to presiding over a White House interagency committee on foreign assistance, the new USAID's head (instead of the secretary of state) should chair the MCC board. The MCC is one of the United States' most innovative foreign aid programs; it is free of earmarks and promotes genuine partnership with recipient countries. The MCC should be protected from political pressures in Washington that might compromise its eligibility criteria. At the same time, a new, strengthened USAID should be given the authority to help recipient nations design proposals, facilitate the implementation of programs, and evaluate their effectiveness.

Finally, the next president should establish a civilian equivalent to the Joint Chiefs of Staff that would include the most senior career officers of the State Department, the new USAID, the Treasury Department, and the Office of the U.S. Trade Representative. Chaired by a senior Foreign Service officer, this statutory institution would offer advice to the political leadership on diplomacy, development, and crisis prevention. This group would also provide a source of independent judgment on development issues to agency heads and to the National Security Council, just as the Joint Chiefs do on military matters.

Of course, there will be areas of overlapping jurisdiction between the defense, diplomatic, and development institutions. One example is the provision of security assistance in countries recovering from conflict; in these difficult environments, the State Department's diplomatic mission is crucial, and the Defense Department is needed for training and logistics. The key is who controls the money for noncombat activities. This authority belongs with the diplomatic mission. But when foreign aid payments are involved, the authority should rest squarely with the new, revamped USAID, whether it attains the status of a cabinet-level department or simply greater autonomy as an agency reporting to the secretary of state.

It is official U.S. policy to build strong and effective defense, diplomatic, and development institutions working together to advance U.S. national security and foreign policy. This goal has not yet been achieved. The civilian agencies today are simply not capable of pulling their weight. The next president will have to dramatically overhaul the foreign aid establishment during his first year. The United States' national security and its global leadership position will depend on it.