

RELEASE IN FULL

**From:** Mills, Cheryl D <MillsCD@state.gov>  
**Sent:** Friday, July 16, 2010 2:46 PM  
**To:** H  
**Subject:** FW: Lew departure opens way for autonomous USAID...

FYI

**From:** Butte-Dahl, Jennifer X  
**Sent:** Friday, July 16, 2010 2:13 PM  
**To:** Hyde, Dana; Campbell, Piper; Smith, Jeannemarie E  
**Subject:** Lew departure opens way for autonomous USAID...

SRAP invited her and her Pak team in for a roundtable earlier this week, which I attended. It didn't seem to have much positive effect. j

## Dear Clinton, Jones, and Summers: Five Step Improvement Plan for U.S. Development

July 15, 2010

By [Nancy Birdsall](#)



Six months after the Haiti quake, many people are frustrated that the U.S.-led relief and reconstruction effort has not made more rapid progress. Meanwhile, Secretary of State Hillary Clinton and USAID Administrator Raj Shah are headed for Pakistan, where the strategic stakes are larger, development challenges even more complicated, and U.S. policy muddled at best. Eighteen months into the administration, the federal government remains abysmally organized to address Haiti, Pakistan and other development challenges. When it comes to global development, I'd give President Obama and his top advisors an A for strategic vision and a big fat F for failure to get on with it.

Hillary Clinton gave a great **speech** about development way back in January, pegged to the appointment (finally) of a new head of USAID. A draft presidential study directive leaked two months ago said all the right things (development is about trade, climate and migration policy not just aid and the U.S. government should eschew doing everything in favor of what it can do especially well). But objections presumably from the State Department about the proposed "architecture" (who is in charge of what) are apparently stalling its release – to the point where the passage of time risks making it irrelevant. The White House incorporated the good vision in the leaked PSD into a press release on "a new approach to advancing development" issued at the G8 – so between Secretary Clinton and the White House strategy: An A for vision.

What about getting on with it? On the aid side the MCC has landed on its feet, though is **pathetically underfunded** with a budget of **\$1.105 billion** (USAID directly managed about \$17 billion last year—closer to \$25 billion if you included shared USAID/State resources—and PEPFAR’s budget was about \$7 billion). The administration has launched two big new initiatives — for **food security** and **global health**, but I can’t figure out **who’s in charge** of those. The USAID administrator still has **no senior staff appointed**. A big effort to **spend aid money well in Pakistan is vulnerable to staffing problems** and the counter-bureaucracy former USAID administrator Natsios **decries**. Moreover it is not clear that anyone near Ambassador Richard Holbrooke (who seems to be in charge of the Pakistan effort) is in a position to make operational the well-defined development objectives in the **Kerry-Lugar legislation** which is funding the five-year \$7.5 billion Pakistan aid program. So I fear that **short-term diplomatic and security diversions** will dominate long-term development investments.

On the Hill, **draft legislation for a Global Partnership Act** is being circulated by congressional staff, aiming to replace the outdated 1961 Foreign Assistance Act. That’s good. But it has been in the works for several years, and without a push from the executive branch will it get the priority it deserves anytime soon?

It’s embarrassing when the Europeans and the Japanese ask us to explain who’s who and what’s what on development in the no-longer-new Obama Administration.

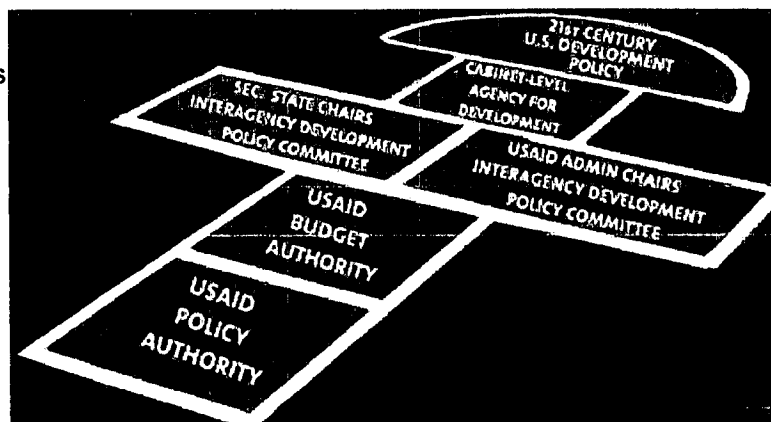
We need leadership from Secretary Clinton at State and from Jim Jones and Larry Summers of the National Security and National Economic Councils in the White House. Here’s a practical agenda for how to move beyond planning and visioning and get on it.

It’s built around a straightforward idea: turn the neglected and abused USAID into the “premier development agency” Hillary Clinton promised U.S. taxpayers in her speech last January. (Our hopscotch board illustration sums these up!)

1. Now: Give the USAID administrator **policy authority** to inform and influence development issues within the State Department. Ensure he has visibility to shore up his political standing. He should be the spokesperson on Haiti, **Feed the Future** and on development programs in Pakistan, Afghanistan, Yemen and other strategically critical states.

2. Now: Give the USAID administrator **budget authority**, because without control over resources, policy input will have little real influence.

3. Now: Create an **interagency development policy group chaired by the Secretary of State** with the USAID administrator as the vice chair and with a **seat on the National Security Council**. The USAID administrator should sit and have a voice at the table where trade, climate, and immigration decisions are discussed. Same for currency policy with China, intellectual property tensions with India, and a host of other issues that impact development where



it is crucial that decisions take into account the long-term U.S. interest in supporting the growth of viable and responsible states in the developing world.

4. By the end of 2011: Make USAID an independent agency, like the Overseas Private Investment Corp. and the MCC, with a board chaired by the Secretary of State to ensure **coherence with overall foreign policy objectives**. Make the **USAID administrator** the chair of the inter-agency development policy group.

5. By the end of the president's current term: Ask Congress to create a **cabinet-level agency for development, with a cabinet secretary of equal standing with his or her counterparts in the foreign policy troika of defense, diplomacy and development**. Move (yes, really) the responsibility for the multilateral banks (but not the IMF) out of Treasury to this cabinet agency, as we recommended six years ago in our report "**On the Brink: Weak States and U.S. National Security**."

But (you might be thinking) this is all about process and not about action. Why do these "process" steps matter? First, accountability. Disorganization at the federal level is stalling action. Someone and some agency must be in charge and accountable to the Congress and the taxpayers for development dollars and programs. Second, as clear in the president's statements, development is about more than aid, and someone in the administration must have a mandate to promote smart **development-friendly policies** in inter-agency decision-making. Third, smart development policy and programs are built on learning and feedback from the field. It makes no sense to have "strategy" designed and adjusted in Washington without input from operations – and it's the professionals managing our aid programs who have those insights.

The **draft legislation** from House Foreign Affairs Committee Chairman Howard Berman takes the first two steps, creates an interagency development policy committee and leaves open to the administration whether it would be chaired by the Secretary of State or USAID administrator. Yet already there are **reports** that the State Department sees this as an unacceptable encroachment, rather than as a way to boost USAID as the premiere development agency (an agency that would still report to the Secretary of State). I continue to believe the a single cabinet-level agency for development—like the UK's Department for International Development—would be the clearest signal that development is on par with diplomacy and defense in our national security arsenal. But we could still make great strides in that direction even if we don't make it all the way to a cabinet agency.

Development policy and programs are a key input to a central foreign policy goal of the United States: building and supporting capable states around the world that address the needs of their own people and play by the global rules of the game. The Obama administration needs to get on with it and take the first step—or hop—towards 21<sup>st</sup> century development.

An afterthought: Deputy Secretary of State Jack Lew is leaving State—where he held much of the big budget authority that belongs in an autonomous USAID—to become the **new head of OMB**. His departure creates an opening for Secretary Clinton to take the first hops illustrated above.